The Collaborative Venture Facility Design Analysis

Final Report

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SECTOR ANALYSIS

This report, prepared by Development Alternatives, Inc., proposes the establishment of a private, independent entity devoted to fostering durable partnership relationships between Indian and American institutions in order to produce outcomes that have a positive result on development. The report contains a set of eight analyses that are based on 5 months of primary and secondary research and on interviews with over 70 individuals and 40 organizations in India and the United States. Each chapter begins with a statement of the scope of work, followed by a response.

This chapter will describe and analyze the recent history and current state of bilateral US-Indian collaborative ventures or partnerships in development.

? *Identify and describe the principal factors underlying the appearance of such ventures, including the impact of the Indian Diaspora.*

From the early 1950s through the 1980s, the US nongovernmental (NGO) presence in India was dominated by a few large organizations that included the Ford Foundation, the Rockefeller Foundation, CARE and Catholic Relief Services.[1] Economic liberalization in India in the early 1990s and the economic success of the large number of Indian nationals who have taken up residence in the United States has fostered growth in US-Indian alliances over the past decade.[2] As an indicator of the potential for US-Indian collaborations, the World Bank's Development Market Place initiative last year received about 90 proposals for work in India involving collaborations between Indian organizations and entities in developed countries. Nineteen of these proposals were submitted by American organizations – universities, private voluntary organizations, and scientific organizations – for implementation in India with some level of local Indian partnership.

The following factors were cited in recent discussions with stakeholders in the US and India as factors that have favorably affected the formation of Indo-US collaborative ventures:

- **Economic liberalization in India:** In 1991, the Indian government unveiled its New Economic Policy that presented a strategy for economic liberalization. The globalization and opening up of the Indian economy has been accompanied by increased levels of bilateral tie-ups between India and the US.[3]

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[1] The term NGO is used this report to describe nonpartisan, nonprofit, voluntary organizations that seek to advance the public good.

[2] The growing volume of US foreign contributions into India for development purposes is one indication of the growing scale of partnership activity. Aggregate US funding has grown at an average annual growth rate of 27% since 1996, as detailed later in this report. The US is currently the largest provider of foreign contributions, having provided US$298.5 million or 33% of total funding received in 2000-2001 (see www.mha.nic.in). See **Annex A** for a listing of US NGOs operating in India today.

[3] For example, two-way trade between the US and India in 2000 totaled US $14.35 billion, reflecting an increase of nearly 100% since 1993. During the year 2000, India's exports to USA increased by 17.65% in dollar terms, compared to 1999 (see www.indianembassy.org/indusrel/trade.htm). Also see the US India Business Council website (www.usibc.com – Current News Section) for details on current, sector-wise information on the growth of private sector and bilateral Indo-US alliances. In 2000, USIBC organized a

- **The healthy economic climate in the 1990s**, including an increase in available venture capital, has been a contributing factor that led to ventures being established in the past decade.

- **An increasing interest within India** in the international development experience and the applicability of best practices to Indian development problems.

- **An improved global communications infrastructure** that has facilitated greater communication and information flows between Indians and Americans.

- **An upsurge of migration from India to the US,** spurred on in the late 1990s by the needs of technology companies in the US with Indians accounting for almost half of the total number of H1B (work) visas issued by the Immigration and Naturalization Service.[4]

- **The Indian diaspora in the US** which, through its growing presence and impressive record of professional achievement, has:

  - Raised the awareness of India and its development potential and problems in the eyes of the US public; and

  - Positioned itself to play an important role in promoting partnerships between Indian philanthropic institutions in the US and development organizations in India. This point is discussed in further detail below.

There follows an analytical description that attempts to identify which sectors have served as a particular foci for ventures between Indians in the US and India, and the states and regions within India that have been a focus of development activity. The analysis also attempts to assess the overall development impact of these ventures.

The Indian Diaspora in the United States

'Diaspora' is a word used to refer to people dispersed all over the world who identify, or are identified with, a particular ethnic group. Diaspora philanthropy indicates philanthropic giving from those that constitute the diaspora to their country of origin. In this report, we examine Indian diaspora philanthropy that includes activities of Indian Americans—including non resident Indians, persons of Indian origin, and Americans of Indian ethnicity—supporting development activities in India through the provision of financial and nonfinancial support.[5]

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high profile *Commercial Dialogue* in Washington DC. At this meeting alone, US and Indian government officials signed a number of bilateral trade and investment agreements that amounted to a potential value of $6 billion.

[4] As reported in the Singhvi report, despite the economic slowdown in the US, with the liberalization of the cap on H1-B visas, about 100,000 Indians are expected to enter the US annually. Of these, many will stay on. Therefore, the population of Indian Americans is expected to continue to grow in numbers (Singhvi, 175).

[5] A *Person of Indian Origin* (PIO) is a foreign citizen who at some time has held an Indian passport; whose parents, grandparents or great grandparents were born in and permanently resident in India as defined in the

The Indian diaspora is positioned to play a significant role in driving India's development forward. With an average per capita income of $60,093, Indians are the wealthiest ethnic community in the United States today (Singhvi, 169).[6] While this community is generous in supporting religious and charitable causes to which individuals have personal ties in India, it is only beginning to become comfortable with the American style of philanthropy that is marked by giving to institutions that decide on how and where resources will be allocated. Today, the diaspora is actively forging greater and greater numbers of partnerships with Indian organizations that it seeks to assist.

Indians in America: Basic Facts and Figures
? Number of Indian Americans in US (2000 Census): 1,678,765
? Growth in number of Indian Americans from 1990 - 2000: 105.87%
? Percentage of Indian Americans of the total US population: 0.6% (1.7 million of 281.4 million)
? Per capital income: $60,093
? Employment: 72.3% are employed, of which:
- Managerial and professional: 43.6%
- Technical, sales and services: 33.2%
- Skilled laborers: 23.3%
Source: Report of the High Level Committee on the Indian Diaspora

A Closer Look: Some Regional Characteristics of Indian Americans

According to the 2000 Census, the population of Indians in the United States is currently estimated to be 1.68 million, making them the largest immigrant group in the country (Taplin, 4). California is home to the largest number of Indians (314, 819 or 32%), followed by New York (25%), New Jersey (17%), Texas (13%) and Illinois (12.6%) as indicated in the graph below:

Population of Indian Americans: Top 5 States
US Census 2000

State	Population
California	314,819
New York	251,724
New Jersey	169,180
Texas	129,365
Illinois	124,723
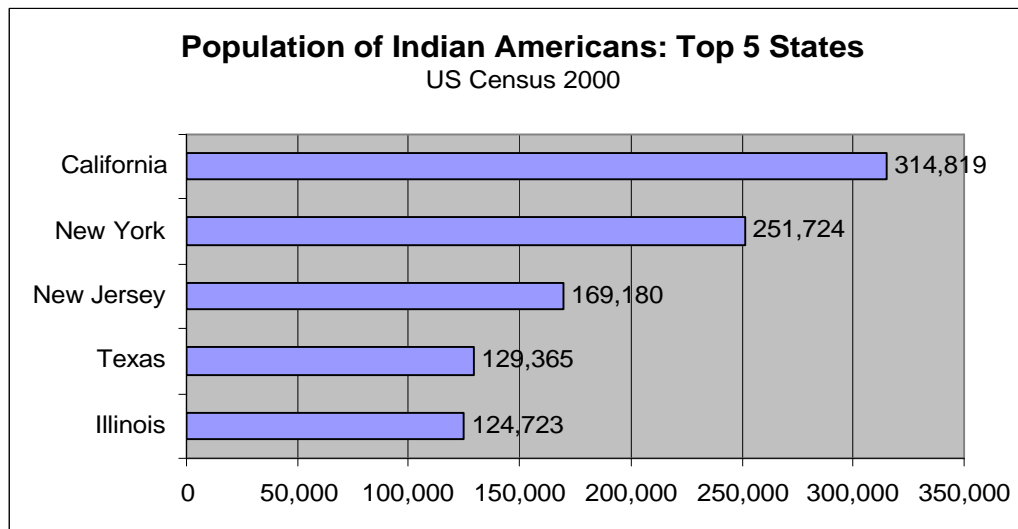
GOI Act, 1935; or is a spouse of a citizen of India. A *Non Resident Indian* (NRI) is an Indian Citizen who stays abroad for employment/ business outside India or stays abroad under circumstances indicating an intention to stay for an uncertain duration.

[6] Estimates of average per capital income of the Indian diaspora in the US vary widely. A recent publication, *Indian Diaspora and Giving Patterns of Indian Americans in the US*, estimates the per capita income of Indian Americans to be $49,309 (Kumar, 34). We have elected to use the estimate provided by the Government of India in its *Report of the High Level Committee on the Indian Diaspora.*

Two states alone – California and New York – account for more than 50% of the Indian population. Within California, Silicon Valley is home to a large number of Indians. San Jose is the second largest Indian city after New York City, and Santa Clara County has the third largest Indian population in the country after Queens County, NY and Cook County, IL (Taplin, 9).

A large number of immigrants from India to the US come from 8 Indian states: Maharashtra, Tamil Nadu, Andhra Pradesh, Karnataka, Kerala, Delhi, Punjab and Gujarat.[7] This large immigrant population is characterized by a relatively high level of education. Two of every three Indian immigrants holds an advanced degree. As a result of this, the demand for Indian professionals is very high: 47.5% of the H1B work visas were granted to Indians in 1998-99. Approximately 30% are employed in professional occupations, compared to 13% of all US employees (Taplin, 9).

A Closer Look: The Professional Make Up of Indian Americans

The Indian American community today differs quite dramatically from the early immigrants that arrived in the US at the beginning of the 20th century.[8] Unlike their predecessors that were largely engaged in agriculture, Indian Americans today are engaged in a variety of professional specialty occupations, live in urban areas in various East and West Coast locations, have relatively high levels of education, and have, through their hard work, ascended to the top-most ranks of their fields. From venture capitalists to the Patels of the hospitality business to investment bankers on the East Coast, to millionaire doctors, the success of Indian immigrants is evident in several different spheres of American life. In particular, Silicon Valley has emerged as a nucleus for Indian American entrepreneurship and success.

If one were to group Indian Americans by institution, students from the Indian Institutes of Technology comprise the largest group, followed by students from the Indian Institutes of Management (CAF, 6).

In terms of their occupational profile, 72.3% of all Indian Americans are employed, of which 43.6% are engaged in managerial and professional positions, 33.2% work in the service sector, and 23.3% are skilled laborers (Singhvi,170). A large number of Indian immigrants of the 60s and 70s are involved in the fields of **medicine, engineering and law**. It is estimated that 35% of Boeing's technical workforce is Indian. Sam Pitroda, an NRI based in Chicago and CEO of World Tel, has contributed greatly to the

Sabeer Bhatia, founder of Hotmail, Vinod Khosla, founder of Sun Microsystems, Vinod Dham, father of the penitum chip, Kanwal Rekhi, and K.B Chandrashekhar are some of the prominent names in the technology field today.

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[7] The consulting team was not able to locate accurate estimates of disaggregated state-wise data of Indian immigration to the US.

[8] Indian immigration to the US occurred in three distinct phases: first, about a hundred years ago, when Sikhs from the Punjab immigrated to the West Coast seeing to work in California's fields and Washington's lumber mills; second, in the 1950s and 1960s when Indian professionals, including doctors, scientists, and engineers, emigrated to the States following passing of the Immigration and Naturalization Act of 1965; and finally, in the late 1980s and throughout the 1990s, when there was an influx of students from the newly emergent middle class who went on to make great strides as entrepreneurs in the high technology world of Silicon Valley (CAF, 5).

expansion of telecommunications in India. Amar Bose has established an acoustics systems company that is recognized world-wide.

About 300,000 Indian Americans work in **technology** firms in Silicon Valley. Their average income is estimated to be $200,000 and they account for more than 15% of high tech start-ups. There are about 650-700 Indian owned companies in Silicon Valley today.

Several Indians serve as faculty members in the field of **higher education** in American universities. Jagdish Bhagwati, Professor of Economics at Columbia University, is prominent among them. The Indian community has also endowed Chairs on Indian studies, such as the Chair on Indian History at Brown University and University of California, as well as a Jagdish Bhagwati Professorship on Indian Political Economy at Columbia University in New York.

Indian Americans are involved in the field of **international finance and management** as well. Prominent among these are Victor Menezes, Chairman and Chief Executive Officer of Citibank, and Rajat Gupta, Managing Director (Worldwide) of McKinsey and Co.

There are several prominent names in the fields of **journalism, writing, films and music**. Pankaj Mishra (author) regularly contributes to the New York Times and has published literature on India that has been well received. Jhumpa Lahiri, author of *Interpreter of Maladies*, received a Pulitzer Prize for her work. Dr. Fareed Zakaria has taken over as Editor of *Newsweek* magazine. Ravi Shankar, Zakir Hussain, Ali Akbar Khan, and Zubin Mehta are world class musicians. In the world of film, Mira Nair and M. Knight Shyamalan are well known names.

About 23.3% of the Indian population is engaged in occupations such as taxi drivers, factory workers, newsstand workers and farmers (Singhvi, 170).

Recent history and current state of bilateral tie-ups

Bilateral tie-ups for development between the US and India primarily take two forms:

1) Financial transfers of resources; and
2) Nonfinancial transfers of resources.

In terms of financial transfers, foreign contributions[9] being channeled into India from the United States are highlighted in the table below:

Aggregate US Funding to India (crore rupees)[10]					
1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-2001**	**Annual average growth rate**
582.22	731.07	892.43	1086.32	1492.62	27%

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[9] Foreign contribution is defined as the donation, delivery or transfer, made by any foreign source of any a) article, not given to a person as a gift, for personal use, if the market value, in India, of such article exceeds one thousand rupees b) currency, whether Indian or foreign c) foreign security as defined in clause 2(I) of the Foreign Exchange (Regulation) Act, 1973. The provisions of the Foreign Contribution (Regulation) Act, 1976 regulate the receipt of foreign contributions into India and can be found at: www.mha.nic.in.

[10] A crore is equal to 10 million rupees. The exchange rate used as a basis for calculation is $1 = Rs. 50.

(US$ 116.44 million)	(US$146.2 million)	(US$ 178.5 million)	(US$ 217.3 million)	(US$ 298.5 million)	

Note: All figures in this report are in current dollars.
Source: Accountable Handbook, 7 and Ministry of Home Affairs (MHA): www.mha.nic.in.

As the table indicates, foreign contributions to India from the US have been steadily growing. In 2000-2001, India received a total of Rs. 4523.23 crores (US$ 904.6 million) in foreign contributions. **The US contribution to this figure is the largest,** amounting to Rs.1492.62 crores (US$ 298.5 million) or 33% of total funding.

There is also a growing trend of volunteerism that helps build a deeper connection to the motherland. Increasing numbers of Indian Americans are keen on contributing their skills and human resources for benefit to India. Students seeking to do internships, physicians seeking to contribute their medical skills, successful business executives seeking to assist innovative "social entrepreneurs" represent such constituencies (personal interview, Mukherjee, Ashoka Foundation). The Network for Indian Environmental Professionals (see www.envindia.com) reports increasing numbers of requests and phone calls regarding possibilities to do environment-focused internships in partnership with Indian organizations. The organization is currently strategizing to meet this need (personal interview, Kishore). New organizations are emerging that exclusively focus on building volunteerism as well. One such example is Indicorps, a nonprofit organization that provides fellowships to individuals to work in partnership with an Indian development organization. The organization is based in the US, but as it enters its third year, is in the process of establishing an India-based entity that will oversee and administer its growing program.

Largest Foreign Donors (2000-2001)

1) *World Vision International*, USA (Rs. 80.43 crores; US$ 16.1 million).

2) *Foster Parents Plan International*, USA (Rs. 76.37 crores; US$ 15.3 million).

3) *Watch Tower Bible and Track Society*, USA (Rs. 68.11 crores; US$ 13.6 million).

Largest Recipients of Foreign Contributions (2000-2001)

1) *Sri Sathya Sai Central Trust,* Andhra Pradesh (Rs. 88.18 crores; US$ 17.6 million).

2) *World Vision of India,* Tamil Nadu (Rs. 85.42 crores; US$ 17.1 million).

3) *Watch Tower Bible and Tract Society India*, Maharashtra (Rs. 74.88 crores; US$ 14.9 million).

Source: MHA Website: www.mha.nic.in.

While no data currently exists that quantifies the extent of these nonfinancial contributions, anecdotal information suggests a growing trend in this direction.

Modes of giving and motivations to contribute

Our discussions with Indian Americans revealed that a major reason behind the diaspora's involvement in Indian philanthropy is emotional ties to their country of origin, and the desire to give back to make it a better place for future generations.

A large number of Indian Americans, it has been observed, are motivated to contribute by the desire to be recognized. Philanthropy that is visible shows that the he/she "has arrived" and is no longer struggling (interview, Reddy, 2003). This is especially true among earlier generation of immigrants.

A lot of Indians are motivated by the guilt factor, especially those that have been privileged and benefited from free education received at one of India's premier technical or management institutions and are now utilizing the skills gained toward contributing to the US economy (interview, Sequeira, 2003).

The Indian diaspora's mode of "giving back" has, for the most part, taken the form of personally motivated giving to organizations with which the giver has some personal connection. The recent proliferation of Indian American organizations that has taken place over the past ten years demonstrates, however, that this mode of philanthropy is changing, so that it is increasingly being organized and channeled through institutions. A variety of Indian American organizations and networks have taken root, and have developed along professional, religious, and cultural lines.

Professional associations: A number of professional organizations representing Indian American interests are operational today. Prominent among these are the American Association of Physicians of Indian Origin (AAPI), the Asian American Hotel Owner's Association (AAHOA), the Indus Entrepreneurs (Tie), the Network for Indian Environmental Professionals (NIEP), the Network for Indian Professionals (NetIP), the Indian Business and Professional Women (IBPW), and the US-India Business Council.

Cultural and religious groups: Cultural and religious groups have also served as a channel for Indian American philanthropy. A variety of regional associations exist today that serve as a forum for their communities. Examples of these associations include the Telegu Association of North America (established in 1977), the Gujarati Association (1979), the Federation of Kerala Associations (1983), and the Bengali Association of North America (BANA).

Student groups in the US: The 1990s have seen a proliferation of student-led voluntary efforts. Active among these are Asha for Education, the Association for India's Development, and the Rejuvenate India Movement (RIM), which was officially launched in 1999 and currently has more than 400 supporters throughout the US.

Principal factors underlying the appearance of such ventures

There has been an increase in the degree of these exchanges in the past decade. Several reasons have been discussed already. In addition, the following factors provide an explanation of why this has occurred with relation to diaspora contributions in particular:

- Globalization has resulted in greater movement in terms of human capital between the two countries. Enrollment in US colleges and universities by people of Indian origin has increased dramatically over the past decade.[11] As a consequence, a number of campus-based voluntary groups have emerged and are actively engaged in channeling development assistance to India for a diversity of causes including

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[11] India sent more students to study in the United States than any other country in the 2001-2002 academic year, topping the list for the first time with 66,836 students or 11.5% of all international students in the United States doing bachelors or graduate degrees in US colleges and universities. This number represents a 22% increase from the year before, according to a study which was funded by the US State Department's Bureau of Education and Cultural Affairs and produced by the Institute for International Education, 2002.

humanitarian purposes, disaster relief, education, and general social development projects.

- A large number of graduates of these institutions have gone on to establish themselves successfully in the US private sector, including Silicon Valley. Today, the software industry serves as a critical catalyst in facilitating bilateral flows of investment and technology between the two countries.

- Indian educational institutions, in turn, have been actively seeking tie-ups with US-based universities as a way of building capacity and acquiring an international brand name. A prominent example of an educational partnership is the recent establishment of the Indian School of Business in Hyderabad. This school has a formal affiliation with the Wharton School of Business of the University of Pennsylvania, the Kellogg School of Business at Northwestern University, and the London School of Business. Faculty are routinely drawn from these schools to teach classes. This educational venture was set up by a group of dynamic Indian and American entrepreneurs who worked in conjunction with prominent academics to establish a curriculum and design other academic activities.

? *Assess the extent to which certain sectors have served as particular foci for these ventures.*

Sector focus of contributions

In looking at sector-wise foreign contribution information provided by the Ministry of Home Affairs, the largest amount of (aggregate US and non US) funding was received for rural development (Rs. 547.74 crores or $109.4 million) followed by health care & family welfare (Rs. 432.98 crores or $86.6 million), and relief for natural calamities (Rs. 339.77 crores or $67.9 million) (Ministry of Home Affairs).

A significant part of US foreign contributions is directed at faith-based activities and organizations. The largest US sources of foreign contributions are faith-based organizations and include World Vision International, and the Watch Tower Bible and Track Society.

Our research revealed that **education** is a key area of emphasis by the diaspora. This is due to the fact that education is perceived as a high leverage sector that is critical to the future progress of India. Funding for institutes of higher education has been occurring for quite a while now. The most recent example of this is

> **IIT Initiative**
> Kanwal Rekhi, a Silicon Valley entrepreneur, is currently engaged in an effort to mobilize resources for the Indian Institutes of Technology. His goal: $1 billion to upgrade the institutions throughout India. The graduates of these institutes, spread across the USA, have formed a transcontinental network called "The Friends of IIT" that connects Bombay, Hyderabad, Silicon Valley, Boston, and Seattle.

Vinod Khosla's gift of $5 million to IIT Mumbai. A number of newer organizations, however, are extending support to primary education activities and literacy initiatives. These groups include Asha, India Literacy Project and the Association for India's Development.

Interviews with US stakeholders confirmed that education remains a key area of focus for Indian Americans. Other sectors that are regarded as important by Indian Americans included **technology promotion** (also regarded as a high leverage sector), women's empowerment, primary health, and family planning. Infrastructure development, poverty programs, and the environment are other areas that are of interest to this funding group.

> **$6 Million for Alma Mater**
> In January, 2003, two former Indian Institute of Technology (IIT) students announced at an IIT alumni gathering in California a $6-million donation for their alma mater as a payback to the prestigious schools from which they graduated.
> Vinod Khosla, co-founder of Sun Microsystems, donated $5 million to the Indian Institute of Technology, Delhi. The institute will use the funding to start a new school of information technology. Mumbai IIT-ian Avi Nash, who is an advisory director at Goldman Sachs in New York, announced a $1-million donation to the chemical engineering department of IIT, Bombay, for research laboratories, endowments for chair professorship and awards for faculty and student excellence.

? *Assess the extent to which certain states or regions have served as foci for these ventures.*

State-wise distribution of foreign contributions

Subsequent to the economic liberalization program initiated in 1991, almost all states have created offices or task forces to coordinate foreign direct investment and receive funds from Indian American sources. The extent to which individual states have served as a focus for philanthropic activities by Indian Americans, however, differs widely. While almost all the states have a few outstanding examples to boast of, overall, Punjab, Kerala and Gujarat have been the focus of most (US and non US) NRI/PIO activity (Singhvi, 540).

No data exists that quantifies US diaspora contributions by state. However, data does exist to indicate state-wise *aggregate* inflows of foreign contributions. These figures are useful to look at since they provide a spatial sense of how aid is distributed across India.

The table below indicates state-wise distribution of foreign contributions. Information is provided for the first 10 largest recipients of foreign contributions only:

	State	**Total foreign contributions received in 1999-2000 (lakhs)**	**Percent of total contributions received**
1	Delhi	63,611 ($127.2 mill)	16%
2	Tamil Nadu	57,251 ($114.5 mill)	14.5%
3	Andhra Pradesh	53,699 ($107.4 mill)	13.6%
4	Karnataka	41,134 ($82.3 mill)	10.4%
5	Kerala	36,170 ($72.3 mill)	9%
6	Maharashtra	35,023 ($70 mill)	8.8%
7	West Bengal	23,399 ($46.8 mill)	5.9%
8	Uttar Pradesh	12,810 ($25.6 mill)	3.2%
9	Gujarat	12,695 ($25.4 mill)	3.2%
10	Orissa	11,165 ($22.3 mill)	2.8%

Source: Accountable Handbook, pg. 17.

The major states that receive funding include Delhi, and the South Indian states of Tamil Nadu, Karnataka, Andhra Pradesh and Kerala. Maharashtra is also significant in this regard.

More recent figures provided by the Ministry of Home Affairs (MHA) indicate that in 2001-2002, among the states and union territories, Delhi reported the largest amount of foreign contributions (Rs 763.05 crores or $152.6 million) followed by Tamil Nadu (Rs. 649.45 crores or $129.9 million) and Andhra Pradesh (Rs. 589.52 crores or $117.9 million) (MHA website: http://mha.nic.in/fore.htm).

Reaching out to the Diaspora: State-level initiatives in three states

Highlighted below are initiatives undertaken by three states that are active in soliciting diaspora support.

a) **Kerala:** Kerala has set up the Non-Resident Keralites Affairs Department (NORKA). This department is vested with the responsibility of attracting investment for Kerala and streamlining interactions between the Non Resident Keralites (NRK) and various government departments. It is also charged with addressing issues related to the personal welfare of NRKs, including investigating fraudulent recruitment agencies, abuse of women NRIs such as housemaids and providing emergency assistance to deportees. Some of its significant achievements including the launching of the *Pravasi Suraksha* Insurance scheme for unemployed returnees, as well as the NRK Infrastructure Initiative Fund to channel NRK investment to infrastructure projects.

b) **Punjab:** This state has pioneered the use of a non-governmental body called the NRI Sabha to work with the NRIs/PIOs. The Sabha, under the patronage of the Chief Minister and led by the Commissioner for NRIs, is constituted of democratically elected members. Nodal officers in each government department report to the Commissioner. The Sabha addresses the welfare of the NRI/PIO community by protecting their rights especially related to landed property, facilitate their interaction with the state and central government, coordinate investment activity and provide a forum for dialogue among concerned parties. Some key achievements of the Sabha include the amendment of the Security of Land Tenures Act in favor of PIOs based on lobbying by the Sabha, preparation of a PIO investment policy that is under consideration of the state government, creation of a special NRI cell in the Chief Minister's secretariat, and an NRI help line in the offices of key district-level administrators, among others.

c) **Gujarat:** The creation of an NRI division under the supervision of the Chief Minister with a separate minister in charge is a critical step taken by the state to court its NRI/PIO community. This division works in tandem with a foundation called the *Gujarat Rajya Bin Niwasi Gujarati Pratisthan* (Non-Resident Gujarati Foundation) for addressing the problems of NRIs. Activities of this foundation include the setting up of an NRG Bhavan in Ahmedabad to provide residential accommodation and a business center for Non-Resident Gujaratis, signing of Charters of Friendship with relevant Associations in the North America, Europe and Africa (Singhvi, 543).

? *Assess the overall development impact of these ventures.*

There is no database that captures reliable data relating to diaspora philanthropy today and no evaluations or impact assessments have been carried out to assess aggregate developmental impact.[12] However, individual and institution-specific information does exist with respect to ventures formed and their contributions to Indian development. We present below highlights of a few of these select ventures in an attempt to shed some light on the question of development impact.

Individual Philanthropy. The list of individuals that are engaged in philanthropic efforts in India is significant and ever increasing. Most recently, Vinod Khosla, co-founder of Sun Microsystems, donated $5 million to his alma mater IIT Delhi to strengthen the institution. K.B Chandrashekhar, co- founder of Exodus Communications, contributed to a center at the Madras Institute of Technology. B.V. Jagdeesh, fellow co-founder of Exodus Communications, contributed $1 million towards schools in Bangalore. Dr. Nilima Sabharwal, a San Jose pathologist, founded *Home of Hope* which raised $20,000 in 1999 for an orphanage in Chennai. Om Dutt Sharma, a New York taxi driver, established a school in his native village and now hopes to build a hospital. Sharad Dixit, a retired plastic surgeon from New York, has been nominated for the Nobel Peace Prize for performing and supervising some 44,000 free surgeries to fight deformities in India. Vinod Gupta of InfoUSA founded the Vinod Gupta School of Management in India and established a polytechnic for women in Rampur. Pavan Nigam, co-founder of Healtheon WebMD, has launched a free IT training institute in Kanpur. Prabhu Goel, founder of Gateway Design Automation, has contributed $10 million to set up the Foundation for Excellence to fund the education of underprivileged students in India (Singhvi, 177).

Institutional philanthropy

American Association of Physicians of Indian Origin (AAPI). Founded in 1984 and headquartered in Chicago, Illinois, AAPI is one of America's premier medical associations that represents the interests of 35,000 Indian American physicians. The goals of the organization are to establish basic medical care clinics for the poor and needy in remote areas of India, (and underserved areas of the United States); facilitate donations of medical equipment (including pacemakers, heart valves, catheters, microscopes, surgical instruments, dialysis machines and incubators) and supplies to government/municipal run or privately-run charitable hospitals in India; and to raise scholarship funds for Indian American Medical Students. Since 10-12 percent of the freshman medical students in the United States are of Indian heritage, AAPI has created a "Clerkship Program" in alliance with the Indian Ministry of Health and medical schools in India. This program is designed to help Indian American freshman medical students in the US learn medicine as it is practiced in India while enjoying their cultural heritage.

The organization's philanthropic partnerships in India include collaboration with the Arpana Charitable Trust in Haryana; the Rotary Hospital connected with the Kasturba Medical College in Manipal; the Eye Hospital in Vyara, Gujarat; eye camps in cooperation with Volunteer Eye Surgeons International; Latur Hospital Medical Center, Maharastra; B.J. Medical College, Poona, and Children's Health and Welfare

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[12] See also Singhvi Report, p. 484.

Foundation,Uttar Pradesh. The organization's website can be viewed at: www.aapiusa.org.

American India Foundation (AIF): AIF was established in the wake of the devastating earthquake that struck Gujarat in January of 2001. The Mission of the organization is to accelerate socioeconomic change in India. Its founders include leading Indian-American business and community leaders—including Victor Menezes, Chairman and CEO, Citibank, and Rajat Gupta, Managing Director, McKinsey and Company—as well as former President Bill Clinton. AIF focuses its grants primarily on livelihood, education, rehabilitation, and health and human services. AIF focused its activities in 2001 on rebuilding and rehabilitating Gujarat. To this end, AIF raised $4.7 million for these efforts and has supported 19 NGOs working in Gujarat. It has funded activities including the construction of over 1,900 homes, the regeneration of livelihood for roughly 2,000 artisans, the construction of schools serving over 6,000 students, and the construction of five hospitals. With the remaining $1 million dollars AIF has earmarked for Gujarat, it will fund the longer-term needs of villages throughout the state. Projects under consideration largely fall within AIF's focus areas of Education and Livelihood. Though AIF is primarily focused on its grant-making activities in India, the foundation has also launched the Service Corps fellowship that sends qualified and skilled individuals to India for 9 months of volunteer development work. The Foundation's offices are located in New York, California and India. To organization's website can be viewed at: www.aifoundation.org.

Asha for Education: Asha for Education is an organization dedicated to support basic education in India. Asha has its origins in the University of California, Berkeley in 1991. Over the years, it has grown rapidly in size, with 35 chapters in different campuses in the US, 7 in India, and 3 international chapters in London, Zurich and Melbourne. The organization is entirely run through the efforts of some 1000 volunteers. Each of these chapters raises funds to support various education-related projects in India. Till date, Asha has supported more than 600 different projects spanning about 20 states of India. In terms of project funding, more than $2,000,000 has been disbursed to these projects since Asha's inception. In 2001 alone, Asha chapters raised $1,000,000 and disbursed close to $850K to over 152 projects. The organization's website can be viewed at: www.ashanet.org.

Association for India's Development (AID): AID was started in 1991 in the University of Maryland's College Park campus by a few visionary students who had a desire to promote social activity in India. The organization is registered as a 501 (C)(3) nonprofit charitable association, has 36 chapters throughout the US, and is entirely run by volunteers. AID supports a wide variety of development projects focused on the poor and underprivileged in India. It identifies development projects in India that require initial funding to get started and are likely to sustain themselves with local efforts beyond the starting point. Projects are closely monitored for proper utilization of the funds through volunteers based both in the US as well as in India. What started off as a $200 project at a student's apartment has today grown into more than a $100,000 per annum organization. Today, AID supports more than 25 projects in 14 states around India, reaching out to more than 15,000 people—from Swanirwar, a healthcare revolution in West Bengal to Sparsh, AIDS-awareness camps for truck drivers in Lucknow; from Busgaon Rural Development Project in Rajasthan to Karunai Illam, an orphanage in Tamil Nadu; from the Grameen Bank in Kerala to a Cloth Weaving Centre for destitute women in Assam and a candle-making cottage industry for women in Maharashtra.

Recently, AID has launched an ambitious hundred-block plan to implement its projects. In 100 districts each, AID chooses one block (the one with the most motivated set of volunteers) and in this block plans to develop a number of programs over the next 5-7 years. These programs focus on health, children's education, women's empowerment, savings and credit, adult continuing education and libraries, computer and vocational education centers, agriculture and enterprises, etc. The organization's website can be viewed at: www.aidindia.org.

Rejuvenate India Movement (RIM): RIM is a network of organizations and individuals working together for India's development. The goal of the movement is to catalyze a mass movement to strengthen democratic processes toward self-reliant development. RIM sponsors volunteers who work full-time in a village to respond to development needs of the villagers. The volunteers are selected and trained by coordinating NGOs, and work under their close supervision. Through its activities, RIM is having an impact on the lives of 30,000 people in 100 villages in 11 states, through 57 sponsored volunteers and 25 partner NGOs. The movement's website can be viewed at: www.indiamovement.org.

The impact of private sector collaborative ventures: The presence of Indian Americans in the US has opened up many business opportunities for Indian companies. The information technology sector in India has recorded a compounded annual growth rate of 55% between 1992 – 2001. IT professionals in the US relied heavily on the large pool of skilled computer professionals in India to subcontract work to, thus creating "several virtual cycles for the Indian IT sector and economy." (Singhvi, 175). The success of Indian Americans in the US has drawn the attention of several multinational companies (MNCs) to India. To illustrate the point, a large number of MNCs have established research and development centers in India. These include General Electric, CISCO Systems, Sun Microsystems, Microsoft, IBM, Huges Software, Lucent Technologies, Texas Instruments, Oracle, and Intel.

The development impact of these ventures—whether individual or institutional – while not quantifiable, is growing in significance as more and more entities begin to contribute their time and money to development initiatives in India.

? *Identify any particular factors, peculiar to these collaborative ventures, which tend to make them more or less successful.*

Technology: Technology is a main driver in the Indo-US partnership process, especially for the current generation of technology savvy entrepreneurs (Taplin,13). There are several websites in existence that provide excellent information that cuts across traditional, geographic and cultural barriers. These include Asha (www.ashanet.org), Child Relief and You (www.us.cry.org); indianngos.com; serveindiaforum.net, and the Rejuvenate India Movement (www.indiamovement.org) (Taplin, 14).

Long-term horizon: Organizations like AID and Asha in particular listed several factors that have contributed to the success of their partnerships. These organizations take a long term view of their development activities. They have learned that it takes a long time and effort to identify and establish sound relationships with credible organizations on the ground. Therefore, in establishing relationships with NGOs, they seek to develop long term relationships with a limited number of selected

> "Working with a group on a long term basis allows us more flexibility in doing high-quality projects and also in implementing long-term ideas and solutions. Developing long-term relations with some organizations also enables us to think in terms of sustainability.. expanding in newer directions and evolving new methods and solutions."
>
> *- Quote from AID website, www.aidindia.org*

organizations. One established, it is easier for them to expand existing activities, rather than searching for new groups with whom to do projects. If a project is working well, the preference of the organization is to expand that activity rather than scatter resources across larger numbers of new projects.

Partner selection: These groups give a tremendous amount of importance to the process of partner selection. This is especially important if they are to work with them on a long term basis. Volunteers are given a strict set of due diligence criteria that must be fulfilled before a decision is made to fund a project. In the case of AID, it is mandatory to conduct an in-country site visit before the initiation of project funding.

Community Involvement: Another factor contributing to the success of these ventures is "community buy-in" and involvement in the project. AID has observed that this is critically important in determining the sustainability of a project. In this regard, to the extent possible, it is helpful to have staff drawn from the local community.

Close involvement with the project: Close engagement between the funding organization and the grantee is another factor determining success of a partnership. AID and Asha encourage individual volunteers to take ownership of a project and then monitor it over time for progress. Volunteers who might be visiting India are encouraged to make a site visit to check on project progress as well. Some volunteers from these organizations have elected to donate their time on a full time basis to their collaborating partners through spending an extended period of time working with the organization hands-on at the grassroots level.

As impact assessments of recently launched collaborative ventures are carried out, additional factors that make collaborative ventures successful will certainly emerge.

? *Generate and provide historical, quantitative, information which can be used as baseline measures to monitor changes in scope, scale and quality of these ventures over time as a result of Facility activities.*

Measuring Progress: Some Suggested Indicators

This section proposes indicators that are practical and can be utilized by the Facility to measure changes in the quantity and quality of partnership ventures over time. These indicators reflect the objectives and purposes of the Facility, and are structured according to a development approach that emphasizes 3 core aspects:

- To increase **outreach** and reach large numbers of people through the development of vibrant partnerships;
- To have a positive **impact** on client partners;
- To support **cost-effective** partnership arrangements.[13]

The following table provides a description of the indicators, what they attempt to measure (the objective), and where the information can be accessed from (the source).

	Indicator	Objective	Source
Outreach			
1.	Total amount of foreign contributions received from the US.	The flow of funds from the US is an indicator of increased levels of partnership between US and Indian entities. In 2000-2001, it is estimated that foreign contributions received from the US amounted to $298.5 million for development activities in India (Accountable Handbook, 7). This data could be tracked over time to gauge the increasing or decreasing scale and quantity of Indo-US partnerships.	Data on contributions received from the US is available from the FCRA Department, Ministry of Home Affairs. This information is compiled by the FCRA Department and drawn from Form FC-3 (Account for Foreign Contributions) that NGOs and charitable organizations receiving foreign contributions are required to fill out on an annual basis. The form requires organizations to disaggregate financial contributions by country as well as by donor.
2.	Average funds received per partner organization.	At the institutional level, tracking the average amount of funds received could indicate the increasing or decreasing scale of partnership relations. In 1999/2000, the average funds received per organization amounted to 28.1 lakhs, which is an increase of 9% year per year per NGO since 1992, when the average NGO received 15.5 lakhs (Accountable Handbook, 4).	FCRA Department, Ministry of Home Affairs
3	State-wise distribution of foreign contributions received.	This indicator can be tracked to analyze the spatial distribution of funding received, its spread and concentration. Tracking this indicator would be a useful way of tracking geographical disparities in assistance. Partnership initiatives could then be focused on responding to areas that indicate a deficit of funding relative to their development needs.	FCRA Department, Ministry of Home Affairs
4	Sector-wise contribution of foreign funds.	Tracking this information is useful since it indicates focus areas being targeted by donors and/or NGOs. The extent of activity in each sector would be useful to look at in order to get a sense of where contributions in the future should go.	Several organizations (for example, AccountAID India and the Charities Aid Foundation) have compiled sector-wise information on funding received drawing from information provided in the FC-3 form by recipient organizations. This information is published, and is also available through websites such as: www.accountaid.net.
5	Number of MOUs signed between partnering entities.	The number of MOUs signed between partnering entities is a function of the outreach efforts of the Facility, and an indication of the scale of partnership activity.	This information could be drawn from reports generated by the partnering organizations themselves.
6	Extent of access: Percentage of partners	The percentage of partners that is targeted to a disadvantaged population is one	This information could be collected through examining program documents produced by

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[13] This framework draws from measurement and evaluation research done in the area of business development services provision for micro and small enterprises. Researchers tested the validity and usefulness of a variety of indicators that can be utilized by service providers to measure program performance. For details, see Performance Measurement Framework for Business Development Services: Technical Note on the Research Findings of the Performance Measurement Framework Field Research. USAID / Development Alternatives, Inc. Bethesda, MD, September 2001.

	Indicator	Objective	Source
	that represent targeted populations (women, dalits, microenterprises, etc.). as a percentage of total partners.	indication of the extent of access of the Facility vis-à-vis disadvantaged populations. This information is valuable to collect since it would be a good guide for the Facility if its focus is to serve underserved populations in need of assistance.	partner organizations.
Impact			
1	"Repeat customers" (percentage of partners who access the Facility more than once), and reasons for satisfaction and repeat access.	Tracking the number of repeat customers, as well as the reasons that they return to the Facility to access services, could be one way to measure the organization's impact.	This information would need to be tracked by the staff of the Facility. Information on reasons that partners return to the Facility would have to be collected by conducting interviews with partner organizations.
2	Percentage of partners who experienced institutional benefits.	Measuring the percentage of partnering organizations that experienced institutional gains (e.g. productivity gains, new skills, technology acquisition, etc.), as reported by the partnering entities themselves, would indicate an increase in partner satisfaction and benefits derived as a result of partnership arrangements.	Information on the benefits of the Facility's services could be gained from speaking with partner organizations. This information could be used to substantiate "repeat customer" information of a quantitative nature.
3	Percentage of partners who *applied* the services and resources as intended by the partnership arrangement.	This indicator demonstrates impact since it tracks the increase or decrease in application of resources received as part of the partnership arrangement.	This information would need to be tracked by the staff of the Facility through periodic visits to the organization to see how the partnerships evolve and what form they take.
4	Ratio of actual projects implemented to total MOUs signed.	The actual percentage of MOUs being translated into projects is a reflection of the actual compatibility of needs, vision, and capabilities of the partnering organizations, and therefore the success of current partnership arrangements. The Facility's goal would be to work to increase this ratio.	This information would be tracked on an institution-by- institution basis and could be drawn from reports generated by the partnership ventures themselves.
5	Type of partnership formed.	The quality and impact of the partnership services and linkages being formed can be measured by tracking the forms of resource transfers taking place between partnering organizations. A resource exchange might take the form of an in-kind exchange, a matching grant or an outright grant. This information would provide an indication of the nature of partnerships being formed and partner preferences, if any, and thereby provide insight in terms of what kind of partnerships the Facility should emphasize or de-emphasize in the future.	The FC-3 form submitted by institutions to the FCRA Department, Ministry of Home Affairs.
Cost effectiveness			
1	Annual program expenses per partner served.	This is an important indicator to track for an organization that has concerns about functioning in a cost effective manner.	This information will derive from the Facility's financial records.
2	Percentage of annual administrative expenses to annual total expenses.	This indicator is important, especially from a donor's point of view. A donor wants to see that the bulk of the contributions are being directed at projects.	This information will derive from the Facility's financial records.

Sector Analysis Summary

Economic liberalization in India in the early 1990s and the economic success of the large number of Indian nationals who have taken up residence in the United States has fostered recent growth in US-Indian alliances. The Indian diaspora has grown in numbers and significance, particularly over the past decade, and positioned itself to play an important role in promoting partnerships between philanthropic institutions in the US and development organizations in India.

With an average per capita income of $60,093, Indians are the wealthiest ethnic community in the United States. There are an estimated 1.68 million Indian Americans in the US today, and the majority of them are based in California (approximately 32%) and New York (approximately 25%). The majority of Indian Americans trace their roots to 8 Indian states: Maharashtra, Tamil Nadu, Andhra Pradesh, Karnataka, Kerala, Delhi, Punjab and Gujarat. This large immigrant population is characterized by a relatively high level of education, with two of every three Indian immigrants holding an advanced degree. Unlike their predecessors that were largely engaged in agriculture, Indian Americans today are engaged in a variety of professional specialty occupations, live in urban areas in various East and West Coast locations, and have, through their hard work, ascended to the top-most ranks of their fields.

Foreign contributions into India from the US - both financial and nonfinancial—have been steadily growing at an annual average growth rate of 27% since 1998. In 2000-2001, India received a total of Rs. 4523.23 crores (US$ 904.6 million) in foreign contributions. The US contribution to this figure is the largest, amounting to Rs.1492.62 crores (US$ 298.5 million) or 33% of total funding.

There is also a growing trend of volunteerism that helps build a deeper connection to the motherland. Increasing numbers of Indian Americans are keen on contributing their skills and human resources for benefit to India. Students seeking to do internships, physicians seeking to contribute their medical skills, and successful business executives seeking to assist innovative "social entrepreneurs" represent such constituencies.

Our research revealed that **education** is a key area of emphasis by the diaspora. This is due to the fact that education is perceived as a high leverage sector that is critical to the future progress of India.

Other sectors that are regarded as important by Indian Americans include **technology promotion** (also regarded as a high leverage sector), women's empowerment, primary health, family planning, infrastructure development, poverty programs, and the environment.

The major states that receive foreign contributions (aggregate US and non US) include Delhi, and the South Indian states of Tamil Nadu, Karnataka, Andhra Pradesh and Kerala. Maharashtra is also significant in this regard. Recent figures provided by the Ministry of Home Affairs indicate that in 2001-2002, Delhi reported the largest amount of foreign contributions (Rs. 763.05 crores or $152.6 million) followed by Tamil Nadu (Rs. 649.45 crores or $129.9 million) and Andhra Pradesh (Rs. 589.52 crores or $117.9 million).

The aggregate development impact of Indo-US ventures – whether individual or institutional – while difficult to quantify, is growing in significance as more and more entities begin to contribute their time and money to development initiatives in India. Factors critical to the success of these ventures include access and use of technology; establishing a relationship with a long time horizon; careful partner selection; community involvement, and close involvement between grantor and grantee over the life of the project.

Finally, this section has proposed indicators that can be utilized by the Facility to measure changes in the quantity and quality of partnership ventures over time. These indicators are structured according to a development approach that emphasizes 3 core aspects: to increase **outreach** and reach large numbers of people through the development of vibrant partnerships; to have a positive **impact** on client partners; and to support **cost-effective** partnership arrangements. A detailed description of these indicators is provided in the main body of the report.

— **Chapter 2** —

CONSTRAINTS ANALYSIS

? Assess the principal constraints as articulated by current or potential venture participants.

The principal constraints to partnership formation between US and Indian organizations are as follows:

1. **Distrust of US funding institutions** by Indian NGOs and a consequent hesitance to partner with them;
2. **Limited (Indian) NGO capacity** and associated problems of credibility emanating from a lack of organizational transparency and accountability;
3. **Lack of information** and institutional knowledge on partnership opportunities;
4. **Perceptions of India** as an overregulated, large, diverse, corrupt and complex environment that is difficult to fully comprehend and operate in;
5. **Inadequate resources,** especially among smaller NGOs, for partnership exploration costs;
6. **Perception of FCRA procedures** as being designed to control and make difficult the funding of Indian development programs by foreign organizations;
7. **USAID rules and regulations** and associated reporting requirements that have the potential to create a heavy-handed environment that impedes the natural formation of alliances;
8. **New US federal government regulations** aimed at thwarting the laundering of money through charities for terrorist organizations that could have a negative impact on US giving for foreign, including Indian, NGOs.

Trust and Credibility Issues Related to US Funding Institutions

One impediment to partnership formation between US and Indian organizations is the lack of credibility that some US funding agencies - primarily those identified as having a close linkage to US government sources of support - have in India. Foreign aid received from the US is believed to be highly politicized. Stakeholders cited USAID's change in aid focus post the 1998 nuclear tests as one example of a changing agenda that is too quick to respond to political interests, rather than to India's development priorities and objectives. In addition, the Asia Foundation and US Peace Corps were explicitly mentioned as examples of development initiatives with political rather than development objectives. By in large, European donors seem to be regarded as benign and reliable partners; US development programs, especially those affiliated in some way with the US government, are looked at with a degree of skepticism, due to the inevitable implication of a "hidden agenda."

> "To be a "quality funder," you should set up your institution so that it is relatively autonomous and independent of the larger agenda of governments involved. In India today, the quality of funding received form European donors and the Ford Foundation is good; in the case of "others," it is not. European donors understand development and are considered quality funders because they engage with partner organizations on the basis of trust and equality, and are not patronizing. Furthermore, they work to establish a long-term association with recipient organizations through sticking with a development problem over a period of time. You need to be trusting of partner organizations and their abilities when soliciting their partnership for development activities."
>
> *-- Mr. Ajay Mehta, Executive Director, National Foundation of India.*

A related theme that emerged during stakeholder discussions is a concern among many in the Indian NGO community over inequality in the power balance of a partnership relationship with a US institution. Participants of the Mumbai stakeholder session underscored the need to articulate equality as a core principle underlying the proposed institution. The Facility can operationalize this principle through maintaining an autonomous, neutral stance, and selecting partners based on an unbiased set of criteria that determines their appropriateness for partnership activities.

> "Your proposed Indo-US Facility should venture very carefully and not become another US Peace Corp experience in India."
>
> *- Mr. V. Rangaraj, Vice President, Indo US Chamber of Commerce, Mumbai*

Limited Capacity and Credibility of Indian NGOs

The public perception of the voluntary sector in India is characterized a degree of skepticism and lack of confidence. Many Indian NGOs are perceived as accountable only to their funders, contributing not to development objectives but only to their own institutional survival and lifestyles. In an interview with IndianNGOs.com, former Minister of Social Justice and Empowerment, Mrs. Menaka Gandhi, criticized the handling of finances by several Indian NGOs, pointing to instances of corruption and leakage of funds. She also touched on the topic of NGOs floated by former Indian bureaucrats on questionable grounds. This, she observed, is becoming a flourishing practice supported by political leaders and needs to be curbed. These and related observations have been well documented in studies on the NGO sector in India, such as *The Non Profit Sector in India,* published by CAF, that provides an overview of the sector and key challenges and difficulties that it currently faces.

> "The NGO movement today is not accountable to anyone in India. Income tax authorities don't bother with NGOs since there is no income being generated. The FCRA department is interested to the extent that they are concerned that funds should not be diverted for political or communal purposes. Donors have little interest in monitoring NGOs beyond wanting to disburse funds to them. The result: NGOs are not really accountable to anyone today."
>
> *- Mr. Sanjay Aggarwal, Head, AccountAid India*

In the case of smaller NGOs in particular, a lack of capacity to effectively utilize resources and document activities contributes to perpetuating a questionable public image. For example, in a study of annual reporting of voluntary agencies in India entitled *Building Credibility*, the author noted the poor quality of information reported by voluntary organizations in their annual reports. This poor quality contributes to public skepticism, and a lack of visibility of the sector in the eyes of the public at large (MCAS, 2).

The lack of expertise especially in smaller Indian NGOs often contributes to their inability to meet the requirements of specific grant opportunities and associated rules relating to preparation of project proposals, statements of accounts, progress reports, etc (CAF, 46). Bolstering the capacity of these organizations is therefore critical for enhancing their organizational effectiveness as well as their credibility in the eyes of potential partners.

Inadequate Information on Partnership Opportunities

A critical factor in the establishment of any alliance is knowledge and information about the prospective partner. The search for a partner is greatly facilitated by the availability of descriptive material that describes factors such as institutional purpose, capability, unique style and approach.

A frequently cited problem in our discussions with Facility stakeholders relates to the fact that there is an inadequate databank of information on organizations in the US and India for use in identifying potential partners, and providing pointers on partnership formation and management. Basic factual information on organizations is accessible through the internet and is valuable (see, for example, the website managed by

> "What is it that you mean when you use the word "partnership"? Where does the partnership begin, and where does it end? Partnerships today are primarily money-driven relationships between donor and donee. How will your proposed Facility work to structure partnerships that go beyond this to bring together partners on an equal footing?"
>
> *- Participant, Stakeholder Sessions, Hyderabad.*

indianngos.com). However, this alone is seldom sufficient to ensure a durable relationship. More subtle and nuanced knowledge about the prospective partner is also critically important. Strong partnerships often take years to develop as the entities work together and gradually become familiar with the operations, systems and strengths and weaknesses of their colleagues. Studies have repeatedly shown that the fundamental impediment that lies at the root of failed commercial partnerships is a disconnect between core organizational values and that these core principles were not adequately understood or appreciated at the onset of the relationship. This is a doubly important factor among NGO entities where matters of mission and social principle substitute for profit as the driving force of organizational purpose.

Inadequate information exchange is also a result of a dearth of forums to allow this exchange to take place. In the commercial sector, firms that wish to enter into alliance relations can draw upon the assistance of established organizations to conduct due diligence audits, work through stock mergers, integrate systems and design compatible organizational structures. The availability of these services removes many of the procedural impediments and establish a transparent information base upon which discussions, negotiations, and consensual agreements can be established. In general, this capability is far less established in the development sector due in part to the scarcity of resources and because mergers and partnerships are relatively less frequent. It is limited in developing countries and particularly scarce in situations involving cross-border relations.

In the US, private foundations facilitate linkages by funding innovative cross-sectoral and multi-disciplinary connections, professional associations and advocacy groups that provide a supportive venue where like minded organizations can meet and collaborate. The complex associational life of a strong nongovernmental sector is less evident in societies that have not had the time to establish the institutional infrastructure that promotes, facilitates, and subsidizes networking for its inherent value. While this is emerging in India, much can be done to accelerate the process and at the same time encourage linkages that go beyond the domestic perimeter.

Perceptions of India

Discussions with US stakeholders revealed that a perception exists of India as being a large and complex place that presents great difficulty in sorting through an infinite maze of potential associations in order to identify partners and establish operations. As reported in the Singhvi report, negative experiences (such as dealing with immigration and customs officials at airports) has led to a perception that corruption is pervasive and unchecked in India. This has had a major impact on perceptions of India by Indian Americans, and as they contrast life in the US and India, they conclude that there has to be a change in terms of enforcing the right kinds of norms and values, particularly as these relate to the work ethic of the lower levels of Indian bureaucracy with which they are forced to deal with.

Concern regarding Government of India (GOI) involvement in the Facility as a potential constraint to partnership formation was a recurring theme that was expressed by stakeholders. Stakeholder cautioned that it would be necessary to maintain a relationship with the Indian government, however, the GOI should not be engaged in the direct operations of the Facility. Even if the bureaucratic and procedural delays were fully overcome, the flavor of official involvement is clearly distasteful to prospective participants.

Inadequate Resources for Partnership Exploration

Indian and US NGOs seldom have the resources to invest in partnership exploration or to invest in experimental activities with other organizations. These costs are significant, since they often involve travel and take scarce personnel away from their established responsibilities. Moreover, new collaborations almost always necessitate the designation of key contact points and careful assignment of responsibility to facilitate and promote the relationship within an organization. This can necessitate increased staff costs prior to the time that the partnership has demonstrated any return.

There is limited donor support for the exploratory and fact-finding stage of the partnering process. In general, most donors prefer to support specific projects or programs or established relations where outcomes and results are predictable. Alternatively, they have been less willing to finance alliances that are new and untested or to support projects between entities that have not worked together in the past. This conservative bias is understandable in the context of risk management but it tends to discourage the emergence of experimental relations which have the potential for identifying fresh ideas and new approaches.

Insufficient resources have also constrained Indian NGOs in terms of enabling them to effectively market themselves to prospective partners. Seen as a whole, the Indian NGO sector is not effectively marketing its capabilities to prospective collaborators. The sector is characterized by a culture of passivity in terms of aggressively seeking out collaborative partners and themselves bringing ideas to the table that can be potentially jointly explored. This observation is especially pervasive in the

> "Yes, this is generally the case that only larger organizations with high profiles end up getting funds. Take Child Relief and You (CRY) for example. It has, as a strategic policy spent a lot of money on 'brand building'. That is why it is known today and gets funds rather easily. Smaller NGOs may not be in a position to spend so much money on brand building, which is why they often find it difficult to get money."
> *- Interview with Noshir Dadrawala, CAF, posted on Indianngos.com.*

corporate sector, which would respond better if NGOs could appeal to their "bottom line." NGOs could gain greatly with increase resources aimed at helping them develop a coherent and well thought out strategy that could help them market their wares and make themselves known to partners in search of collaborative opportunities.

? The analysis will identify and describe any particular US government or GOI policies, laws, regulations or practices which are perceived as key constraining factors.

Indian Regulations and Reporting Requirements

Most small non-profit organizations in India have only limited understanding of the registration process and obtaining the necessary clearances - such as prior permission or FCRA clearance[14] - and inadequate time and resources to work through these requirements in a systematic manner. They regard the registration process as particularly problematic and complex, since there are multiple authorities to work through, all dealing with different aspects of the registration process. For example, the charity commissioner/registrar of societies is the state authority for registering an NGO as a legal entity. The federal Income Tax authority has to be approached to get tax exemptions. Following this, the organization then has to work with the Home ministry to obtain registration under the FCRA.

For large and sophisticated NGOs, however, obtaining approvals under FCRA from the Ministry of Home Affairs is generally regarded more as an irritant than a constraint. Acknowledging that there are multiple registering authorities, once the basic process is over, the NGO may go ahead with its program and simply file returns once a year with these authorities.

> CARE India is of the opinion that policies and laws pertaining to development sector in India are not, in and of themselves, impediments to their program activities. Rather, it is a matter of figuring out the decision-making process within the Indian bureaucracy and complying to the letter of the rule or regulation. In CARE's opinion, complying with regulatory requirements is a time consuming activity, but not insurmountable.

US Government Regulations

The US Treasury Department has recently issued new guidelines for US-based charities to assist those charities in avoiding any ties to terrorist organizations that might lead to a blocking action. The guidelines focus on financial controls and the vetting of potential foreign recipients. They call for increased scrutiny of grantees' background and finances before a grant is made. The guidelines are likely to affect NGOs around the world, including India. US-based organizations sent Rs.1,493 crores ($ 298.6 million) to Indian non-profits in 2000-01, accounting for some 33% of the total FCRA inflows during this period. Although the guidelines are voluntary, compliance may have the inadvertent impact of reducing the chance of a charity's funds being blocked by the US Government.

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[14] New voluntary organizations or charitable agencies wanting to start operations in India have to apply for "Prior Permission". A Prior Permission is also necessary for those voluntary organizations in India that do not have registration under the FCRA, but wish to access foreign assistance. Details can be found at: http://mha.nic.in.

USAID Procedures and Practices

The application of USAID procedures and compliance regulations may constitute a significant and serious impediment to the operation of the Facility. Intrusive monitoring, heavy reporting and a high level of certification requirements may create a heavy-handed environment that is incompatible with the delicate process of partnership building.

> "It is very difficult to obtain funds from USAID. It takes a long time to obtain the funds in hand. In structuring this Facility, you must clarify for us: How is this Facility going to be any different from USAID?"
>
> *- Participant, Stakeholder Meeting, Hyderabad.*

? Describe efforts being undertaken by other groups in the US and India to ameliorate these impeding factors.

Relatively few efforts were identified that are aimed specifically at addressing one or more of the constraints in the above list. Some noteworthy examples are described below.

1) AccountAid India is a private consulting organization based in New Delhi that works with NGOs on accounting, financial management and legal issues. Its areas of focus include compliance with FCRA, accounting structure, income tax, Societies Act, budgeting, and donor reporting. AccountAid implements its activities through a number of different mechanisms, including conducting training workshops, publishing an annual Accountable Handbook as well as a monthly Accountable circular that is available through email, and disseminating information through its website. This website provides FCRA forms, and also provides an online email answering service that allows NGOs to ask and obtain information and guidance on issues in confidence on a complimentary basis. AccountAid is a member of the Task Force set up by the Planning Commission on Laws affecting the Voluntary Sector. The organization's website can be viewed at: www.accountaid.net.

2) Catalyst Social Development Consultants Private Limited: Catalyst is a social development consulting firm that aims to broker relationships between private enterprise, foundations and individuals in the United States and the non-profit sector in India. This Gurgaon, Haryana-based organization seeks to:
- Build awareness about the voluntary sector;
- Mobilise funds for the Indian development sector; and
- Facilitate the setting up of collaborative ventures.
The organization's website can be viewed at: www.catalystindia.net.

3) Center for Advancement of Philanthropy: Established in 1986, the Mumbai-based Center for Advancement of Philanthropy provides advice and assistance to a variety of Indian philanthropic organizations (including foundations, trusts, voluntary agencies, companies with philanthropic objectives, advocacy groups, and associations) in the areas of law, taxation, investment of funds, financial planning, human resource development, and effective management. The Centre has on its board of management a wide range of resource persons (including a retired charity commissioner, a retired income tax commissioner, and financial consultants) whose expertise it regularly draws upon to fulfill its activities. The Centre currently has a membership strength of about 400, comprising a fairly representative cross section of corporate bodies, grant-making

foundations, NGOs and professionals involved in the field of philanthropy. It has also published resource materials aimed at bolstering the institutional capacity of NGOs. The organization's website can be viewed at: www.cozucare.org/cap/index.htm.

4) Charities Aid Foundation – India: Charities Aid Foundation (CAF) International, of which Delhi-based CAF India is a part, is a network of NGOs dedicated to supporting and strengthening voluntary giving and non-profit enterprise across the world. In 2000, CAF India published an analytical description of the voluntary sector in India, including an information database of 2,350 NGOs. CAF India has pioneered corporate community initiatives with several companies in India. It also is opening up new resources for NGOs by working with chambers of commerce, such as the Confederation of Indian Industry. CAF provides advice to NGOs in the following areas:
- Options for setting up an organization in India to promote a charitable cause;
- Tax relief;
- Legal considerations in giving from overseas;
- Contacts and partnership prospects.

In addition, it provides funding to Indian NGO partners after they have been subjected to due diligence validation. The organization recently carried out due diligence checks on about 1,500 NGOs in India. The organization's website can be viewed at: www.cafonline.org/cafindia.

5) Credibility Alliance: The Credibility Alliance is a loose network of organizations in India that share a concern to promote good governance and practices that will enhance the credibility of the voluntary sector in India. The goal of the Alliance is to establish from within the sector norms that will strengthen and enhance the credibility of the voluntary sector to outsiders. Specifically, the Alliance is aimed at helping NGOs improve their vision statements, operations, governance, transparency and accountability. Compliance with the norms is voluntary because the principle is one of self-regulation. A central goal of the Alliance is the establishment of an accreditation agency that would certify an organization as having complied with the minimum norms. The organization's website can be viewed at: www.credibilityalliance.org.

6) The Development Marketplace: Run out of the World Bank in Washington DC, Development Marketplace (DM) is a program that promotes innovative development ideas through early stage seed funding. The organization links social entrepreneurs with poverty fighting ideas to partners with resources to help implement their vision. Every 18-24 months, it hosts a global competition for innovative development ideas. The proposals compete for financial support and/or technical assistance provided by DM's sponsors. The competition is open to individuals, non-governmental organizations (NGOs), academic organizations, faith-based groups, local government, local government, private sector companies, official aid agencies, and grass roots organizations.

In addition, DM hosts Country Innovation Days (CIDs) that allow very small, locally-based projects to compete for support. Held at the national or regional level, CIDs are dedicated to identifying and supporting innovative development ideas and building synergies among local and regional social entrepreneurs. Entrepreneurs compete at the local level for start-up funds for ideas that bring people and institutions together, and have the greatest scale-up potential. In addition, DM hosts knowledge forums for various

leaders in the development community that provides a platform for them to share their experiences and information around pre-selected themes that are of local and global interest in development. The organization's website can be viewed at: www.developmentmarketplace.org.

7) Give Foundation: The Give Foundation, set up in collaboration with ICICI, offers a variety of capacity building services to nonprofit organizations including assistance with donor reporting requirements, transparency and accountability-related areas, particularly accounting in management information systems. The Foundation offers project / NGO identification, appraisal, monitoring, evaluation and Charity Portfolio Management services to corporates, institutional donors and grant-making institutions. Specific services offered to NGOs include:
• Needs assessments, accounting and MIS system design;
• System implementation, including design of documents and internal control systems;
• Cash flow planning and funds management.
The organization's website can be viewed at: www.givefoundation.org.

8) Government of India: In the context of the formulation of the Tenth Five Year Plan (2002-2007), the GOI set up a steering committee for the active involvement of the voluntary sector in the development process. The committee is comprised of 40 members from the government and voluntary sector. Its terms of reference are:
• To review the policies, procedures, and guidelines of the government and other organizations for involving voluntary organizations in different programs and to recommend alternative policies and simplified procedures for involvement of the voluntary sector;
• To review the existing programs for capacity building of the voluntary sector and suggest measures to make NGOs more effective for good governance, service delivery and managing development resources;
• To examine the existing partnership arrangements between the voluntary sector and the private sector and municipalities and recommend appropriate steps to facilitate and enhance such partnerships. No recommendations have as yet emerged from the Planning Commission undertaking.

9) Indev is the British Council's initiative to address problems faced by development managers in accessing development information on India. Indev holds and disseminates information for decision-makers, researchers, academics and development managers, and serves to act as a gateway to development information on India. Indev has links to over 2500 leading development organizations in India. Indev's partners that include bilateral agencies, government departments and leading NGOs, make the web site a 'One-stop shop' for development information on India. The organization's website can be viewed at: www.indev.nic.in.

10) IndianNGOs.com: This site, comprising some 25,000 pages of text, is dedicated to building the capacities of NGOs, the donor community, corporates, development professionals and interested individuals in through providing an expansive databank of information, program information, profiles, news, statistics and development related research. The organization's website can be viewed at: IndianNGOs.com.

11) Sampradaan Indian Centre for Philanthropy (SICP): Founded in 1996, SICP is a Delhi-based non-profit organization that aims to promote and strengthen philanthropy in

India. The need for the organization was first articulated at a workshop held in New Delhi in 1995 which noted that despite a long tradition of philanthropy in India, there was a disproportionately low contribution to organized charity due to a lack of public awareness and information, professional advice and support, and the absence of a national forum for interaction between those engaged in philanthropic activities. The organization was formed to respond to this need, and works to create an enabling environment conducive to philanthropy by increasing awareness and appreciation of its role by people, corporations and the state. Its goal is to promote a professional approach to giving that is focused on the efficient utilization of charitable resources. SICP achieves these objectives through research, information dissemination, workshops and conferences, advocacy, public education, and promotional campaigns.

SICP has published a series of useful information sheets on "Law and Non-Profit Organizations" in response to requests for advice from the development sector for information on setting up a trust, a society, or a non-profit company, reporting requirements of NGOs, and rules and regulations applicable to NGOs. SICP has also published the first-ever national directory of Indian Donor Organizations. The directory is the only database of Indian donor organizations, and enables fund seekers to find matching donor organizations.

'Sampradaan', SICP's bimonthly newsletter, keeps readers updated on happenings in the philanthropy movement in India and abroad. By increasing public knowledge of Indian philanthropy and its strengths, limitations and potential, the program motivates individuals, organizations and corporations to contribute to philanthropic initiatives. It also provides a forum to readers to share experiences and raise concerns. The organization's website can be viewed at: www.sampradaan.org.

12) Society for Participatory Research in Asia (PRIA): PRIA is a Delhi-based organization that describes itself as "an international center for learning and promotion of participation and democratic governance." Its core activities include:
- Capacity building services to civil society organizations;
- Policy advocacy through promotion of policies that create an enabling environment for the development sector;
- Knowledge-building aimed at conducting research on issues and institutions which enable or disable citizen participation in democratic processes.

Recognizing the paucity of good information that documented the scale and size of the nonprofit sector in India, in 1998, PRIA undertook a survey in conjunction with US-based John Hopkins University that as published in 2003. The survey, entitled *Invisible Yet Widespread: The Nonprofit Sector in India,* covers the five states of Maharashtra, West Bengal, Delhi, Tamil Nadu and Meghalaya and provides data on Indian nonprofit sector scale in terms of number of organizations, regional differences, extent and sources of funding, number of employees, and government policy impact.
The organization's website can be viewed at: www.pria.org.

13) The Association for Third Sector Research in India (ATRI) is an association of researchers and individuals interested in research on the voluntary sector in general and the Indian voluntary sector in particular. Launched in January 2000, this association emerged out of the felt need to systematically document various types of research on the voluntary sector. It aims to serve as an information gateway and a forum for effective

linkages with regard to all aspects of Third Sector research. The organization provides a forum for researchers from various institutions and universities to share research on the voluntary sector, and makes its research available on its website: www.ngoresearch.org.

? Identify steps that could be taken to ameliorate these principal constraints and identify those that may be appropriate for USAID:

There is tremendous opportunity for USAID to engage itself in ameliorating the constraints identified in this analysis. These include the following:

1) **Constraint:** Perception that US policy government involvement will undermine the credibility of the proposed Facility through the inevitable implication of a "hidden agenda."

Possible USAID Action: USAID should maintain a low profile in terms of its association with the Facility. The Facility should develop an autonomous and independent identity. Furthermore, in order to gain credibility and acceptability in the eyes of Indian stakeholders, the entity should be registered as an Indian organization that has its headquarters in India, and whose board is majority Indian.

2) **Constraint:** Belief in the US that many Indian organizations, especially NGOs, lack capacity to implement partnership programs and adequately account for funds.

Possible USAID Action: Help US organizations identify Indian partners that have been screened for due diligence and provide capacity building assistance to partner agencies to overcome identified deficiencies.

3) **Constraint:** Inadequate databases of information on organizations in the US and India for use in identifying potential partners.

Possible USAID Action: Build institutional data bases and disseminate information through the internet and workshops that bring partners together. Conduct studies and analyses to identify areas of potential collaboration and high payoff.

4) **Constraint:** Perception in the US that the complex network of Indian regulatory requirements makes doing business in India costly and time consuming.

Possible USAID Action: Provide information and guidance to US organizations on how to deal with Indian rules and regulations governing financial relationships between Indian and foreign entities.

5) **Constraint:** Perception in some quarters in the US that corruption in India is pervasive and unchecked.

Possible USAID Action: Help educate potential US partners on the realities of doing business in India, including providing educational tools and guidance on how to get things done in India.

6) **Constraint:** Lack of availability of resources, especially among smaller NGOs, for partnership exploration costs (face-to-face interviews and interpersonal information exchange).

Possible USAID Action: Provide small facilitative grants aimed at helping small and fledgling organizations in India and the US overcome the initial financial hurdles of making contacts and building relationships.

7) **Constraint:** Perception in India and the US that FCRA procedures are designed to control and make difficult the funding of Indian development programs by foreign organizations.

Possible USAID Action: Help entities in India and the US that are exploring partnership collaboration to understand what the FCRA rules are and how to comply with them. Provide a short list of accountancy firms that specialize in helping NGOs complete the necessary paperwork and provide guidance in working with the government entities involved in providing FCRA approval.

8) **Constraint:** Concern among many in the Indian NGO community over inequality in the power balance of a partnership relationship with a US institution.

Possible USAID Action: Conduct outreach programs, prepare pamphlets and hold workshops aimed at building a better understanding of what constitutes a partnership, what sustains a partnership, and what benefits a partner entity can expect from the relationship. The goal will be to get participating entities to recognize that successful partnerships can be built between unequal organizations as long as each party receives back from the partnership more than it contributed.

9) **Constraint:** New US federal government regulations aimed at thwarting the laundering of money through charities for terrorist organizations will have a negative on US giving for foreign - including Indian - NGOs.

Possible USAID Action: USAID should ensure wide distribution of the US Treasury Department Anti-Terrorist Financing Guidelines Voluntary Best Practices for U.S. Based Charities. This document can be found at: http://www.ustreas.gov/press/releases/docs/tocc.pdf.

Constraints Analysis Summary

The principal constraints to partnership formation between US and Indian organizations include:

1. Distrust of US funding institutions by Indian NGOs and a consequent hesitance to partner with them;
2. Limited (Indian) NGO capacity and associated problems of credibility emanating from a lack of organizational transparency and accountability;
3. Lack of information and institutional knowledge on partnership opportunities;
4. Perceptions of India as an overregulated, large, diverse, corrupt and complex environment that is difficult to fully comprehend and operate in;
5. Inadequate resources, especially among smaller NGOs, for partnership exploration costs;
6. Perception of FCRA procedures as being designed to control and make difficult the funding of Indian development programs by foreign organizations;
7. USAID rules and regulations and associated reporting requirements that have the potential to create a heavy-handed environment that impedes the natural formation of alliances;
8. New US federal government regulations aimed at thwarting the laundering of money through charities for terrorist organizations that could have a negative impact on US giving for foreign, including Indian, NGOs.

Noteworthy organizations that are currently working to address these constraints include AccountAid India, Catalyst Social Change Development Consultants Private Limited, Center for Advancement of Philanthropy, Charities Aid Foundation – India, Credibility Alliance, The Development Marketplace, Give Foundation, Government of India, Indev, IndianNGOs.com, Sampradaan Indian Center for Philanthropy, Society for Participatory Research in Asia, The Association for Third Sector Research in India. Descriptions of each have been provided in the main report.

USAID can take several steps to engage itself in addressing these constraints. Specifically, it should:

- Maintain a low profile in terms of its association with the Facility;
- Facilitate the provision of capacity building assistance to Indian NGOs;
- Facilitate the building of a database and conduct studies and analyses to identify areas of potential collaboration and high payoff;
- Provide guidance to US organizations on how deal with Indian rules and regulations;
- Provide facilitative grants aimed at helping small and fledgling organizations in India and the US to overcome the initial financial hurdles of building relationships;
- Conduct outreach programs and hold workshops aimed at building a better understanding of what constitutes a partnership; and
- Ensure wide distribution of the US Treasury Department Anti Terrorist Financing Guidelines: Voluntary Practices for US-based charities.

— Chapter 3 —

PARTICIPATION ANALYSIS

? Analyze which types of institutions would be most interested in assisting in designing or participating in Facility's activities, and which sort of services they would like to see the Facility undertake and why.

There are two broad categories of entities that will be interested in the work of the Facility:

- **Funding organizations (and individuals)** that are interested in providing resources for development work in India and that have a particular interest in fostering cross-border collaboration. This category will include US and Indian foundations, US and Indian companies, some of the larger American nonprofit social purpose organizations and individuals from the Indian American community.

- **Prospective partner organizations** that will constitute the client base for the work of the Facility. This category includes a long list of different types of groups, many currently involved in development work together with some with a predominantly domestic focus that have a skill or technology that has potential relevance for India's development. This category will include: educational institutions, professional associations, advocacy groups, policy research organizations, scientific research organizations, community based organizations, private voluntary development organizations and international humanitarian groups. For analytical purposes it is possible to divide this large category into several sub-categories of partnerships types:

  - New partnerships vs. existing partnerships.

  - Partnerships with a US entity that has prior Indian experience versus partnerships with an entity with no prior experience.

  - Partnerships between two organizations that work in the broad area of economic and social development versus partnerships between organizations that do not traditionally work in this area e.g. scientific groups or trade associations.

  - Partnerships that involve cross-sectoral relationship versus partnerships within the same sector.

  - Partnerships that involve cross-organizational relationship versus partnerships within the same organizational domain e.g. professional associations working together on the one hand and a scientific group partnering with an advocacy group on the other.

The durability and success of a partnership will depend on a long term mutual consensus that institutional benefits exceed institutional costs. A number of studies indicate that the likelihood that this will happen depends on the following key factors:

- **Similarity of organizational function.** For example, the possibility of a strong relationship between two educational institutions is stronger than between an educational institution and a professional association.

- **Complementarity of organizational purpose.** For example, the work of a policy research group may be quite different than the work of a rural development group but a unity of purpose such as more rational agricultural pricing can bring them together.

- **Overlap of program priorities.** For example, private foundations that establish program priorities may be eager to work closely with policy research groups that can help them formulate and promote these strategies.

- **A perception of synergy.** For example, a scientific research organization may be interested in working with an advocacy organization that can translate and mainstream research findings into a practical program of action.

- **Achievement of a specific objective.** For example, a corporation may want to partner with a scientific organization because of interest in a particular line of research that the organization is carrying out.

- **Growth in size.** Organizations may have an incentive to partner simply in order to increase their size and influence. For example, an American professional association may wish to partner with another professional association in order to increase the overall size of a global entity.

In addition, partnership formation will be heavily influenced by the nature and degree of the constraints identified in Chapter 2. The most important of these include the cost of partnership identification and establishment and the existence of information regarding the existence and interest of prospective collaborators. Thus, while market forces may tend to promote certain types of partnerships because the information is available and the transaction cost is modest, the existence of an entity like the Facility can offset this incentive structure and promote relations of a unique and unusual nature that might not otherwise occur. On the basis of these observations and from anecdotal feedback from interviews and focus group sessions, the following types of partnership relations are most likely to develop as a consequence of Facility work:

- Partnerships between American private voluntary development organizations (PVOs) and Indian NGOs. Although a baseline study has not been conducted, the level of American PVO activity in India appears to be relatively low in comparison to need and potential for the reasons identified in the Constraints Analysis. These groups tend to have similar purposes, functions and program priorities and face constraints of cost and access to reliable information regarding partnership opportunities.

- Partnerships between American advocacy groups and Indian NGOs and advocacy groups. Particularly in the area of environment, education and health, there are strong opportunities to build bridges between advocacy groups where the issue cuts across national boundaries. In particular, there will be opportunities to help Indian NGOs develop their capacity to advocate for policy change or reform.

- Partnerships between American firms operating in India and Indian development and/or humanitarian NGOs or Indian scientific research or advocacy organizations. A considerable amount of work has been done by the Global Development Alliance on the potential for collaboration between the commercial and nonprofit sectors. While these relationships are difficult to construct and may not constitute a working partnership in the traditional sense, there may be real opportunities to nurture relationships that are mutually beneficial. One area for example involves the application and/or testing of a technology or product innovation that has positive social implications with a social purpose value. (This subject is discussed at greater length below.)

- Partnerships between policy research groups in the United States and development and/or humanitarian NGOs in India. The United States has a vast array of organizations that conduct a variety of forms of policy analysis or research in virtually every conceivable area of public concern. The work of these organizations is focused principally on domestic US issues but there is considerable potential applicability to challenges faced in complex developing societies. One example involves the considerable work done on the effective introduction of bilingual education in schools in the American South-west.

- Partnerships between scientific research groups in India and/or the United States and advocacy groups in India and/or the United States. While this type of relationship may be difficult to construct, there are significant opportunities to help advocacy groups strengthen the content and effectiveness of their positions by arming them with solid scientific research.

- Partnerships between Indian educational institutions and American scientific research and/or advocacy groups. Although large universities will have already established international linkages in areas of mutual professional interest, there will be opportunities to establish relations between smaller schools and US groups working in a supporting area.

- Partnerships between professional associations in India and America.

Partnerships with Funding Organizations

Participation by Indian Americans

There is a commonly held view that the Indian American community, given its wealth and desire to give back to the motherland, stands ready to open its coffers in support of entities that intend to undertake good work in India. Our feedback sessions in the US indicate that this perception is not entirely accurate. The reality is that the Indian American community looks with a jaundiced eye at giving money to charitable programs unless those programs are clearly linked to solid business plans that offer good prospects for producing visible results.

A second commonly held perception is that an impediment to Indian American giving to development activities in India is difficulty on the part of the Indian American community in identifying potential organizations and programs in India to support. Here again, our

feed back sessions led us to a different conclusion. In actual fact, Indian Americans in the US are represented by an impressive and growing array of organizations that seek to link the skills and financing of Indians in America with organizations engaged in a wide variety of charitable and development activities in India. It is unlikely, in our judgment, that the Indian American community will become significant consumers of the services offered by the proposed Facility in the near term.

Another important point to bear in mind in assessing the potential of Indian American giving is that, while the Indian community in the US is generous in supporting religious and charitable causes to which individuals have personal ties in India, the community is still in the early stages of becoming comfortable with American style philanthropy that is marked by contributing to institutions (foundations, charities, NGOs, etc.) that, in turn, make the decisions on how and where to allocate resources.

Participation of US Foundations and International NGOs

Existing US Foundations that were interviewed including the Ford Foundation, the United States Educational Foundation of India (USEFI), and the MacArthur Foundation are already engaged in managing programs of their own and therefore will not serve as major consumers of the Facility's services. These institutions have well-established policies and procedures that are tailored to institutional goals and objectives and they did not express any interest in being involved in detailed design relating to the creation of the Facility. However, during our discussions with these institutions useful suggestions were made for the kinds of services the Facility could provide. These included:

- The partnership fund should focus on alleviating poverty.
- Grants should be in the nature of "topping-up" grants and matching grants. Most donors seek to maximize their donations and topping up grants is one of the methods that can be utilized to achieve this.
- Information on the proposed Facility should be easily accessible so that both donors and recipients may take advantage of its services. Many givers in the US use organizations like the Council of Foundations in New York or www.guidestar.org to obtain information on NGOs and donors. The Facility could seek to become a provider of information services on NGOs and possible partners that want to collaborate in India.
- The Facility should concentrate on providing services to small and disadvantaged NGOs that lack the network of connections needed for partnership formation that is available to large, international NGOs.
- The Facility could conduct due diligence surveys for the partnerships it sponsors, thus providing Indian Americans and other donors with a level of confidence in their giving. In this regard, the Facility would complement the efforts of Indian organizations such as the Credibility Alliance, Give Foundation, and the Charities Aid Foundation.

The following are examples of US non profit organizations that have development experience relevant to Indian problems and that might benefit from the services of the proposed Facility:

- Action Aid reported that they frequently receive requests from US groups that are interested in working in India and need contacts, information and seed capital to

initiate an exploratory process. They reported recent interest from a group in the United States that believes they have developed a successful approach to working with street children and would like to test and broaden that approach in India.

- International Research and Exchanges Board (IREX) is a small non-profit in San Francisco that has developed a partnering model that they have used in several countries. The organization is very interested in expanding its work in India. The program director is Indian and several NRIs serve on the board. They would like support to work with an Indian NGO, adapting and testing the model.

- Save the Children has developed and launched in the United States a very popular website (Youth NOISE) for teenagers that is designed to engage them in social issues and educate young people with regard to challenges they will need to address as they mature. The concept has international potential. Funds are needed to subsidize the cost of finding partners and converting the contents and style to other cultural settings.

- Support for an alliance between Business for Social Responsibility in San Francisco, and the Chambers of Commerce in Bangalore, Hyderabad and Chennai to present a series of workshops on corporate responsibility and to establish an affiliate in one of these cities to provide advisory services to interested companies.

- A small grants program to Indian NGOs to identify and establish linkages with an American nonprofit or association. Counseling and access to an extensive date base would be necessary for this purpose.

Participation of For-profit Institutions

For profit companies that were interviewed, including PepsiCo, Infrastructure Development Finance Company, and Hindustan Development Finance Corporation, did not see a role for the Facility in a business-to-business context. However, they did foresee a role for the Facility in promoting partnerships with US entities in areas that complement their business operations that required external expertise. For example, PepsiCo described the need for technical advice in watershed management so that its contract farmers could increase yields.

For-profit institutions also indicated that the partnership Facility could help them obtain voluntary sector partners for their Corporate Social Responsibility programs. Increasingly, companies in India are adopting policies of corporate social responsibility, although at this point only a few of the most forward thinking companies have integrated their commitment to corporate social responsibility into their business systems. As corporate social responsibility increases, the opportunities for cross-sector collaborations with US NGOs, universities, professional organizations and other non-profit institutions should grow.

Interviews with for-profit companies identified the need for enhancing the image of India in the US. The Facility could help do that and indirectly help create an enabling environment to improve for-profit partnering between the two countries.

Participation of Research and Academic Institutions

Organizations such as the All India Institute of Medical Sciences, Council of Scientific and Industrial Research, Apollo Hospitals, and the Delhi School of Economics reacted positively to the idea of the proposed Facility. Government-affiliated institutions were

particularly interested in having the Facility provide advice in how to deal with bureaucratic procedures that often translate into bottlenecks and delays.

During US feedback sessions, the following expressions on the part of US universities in collaborations with Indians universities were identified:

- The Center for Ageing and Palliative Care at the Northwestern school of Medicine has developed a hospice training program that has been used to train over 50% of the physicians in the United States. The Center believes that this model has potential application in the developing countries if it can be modified to reflect cultural constraints. The Director of the Center has expressed great interest in working in India and is seeking funds to locate and work with an Indian organization.
- Harvard Medical School has established a subsidiary to identify and build collaborative relations with new and existing medical schools in other countries. Harvard designs the curriculum, provides professors and guarantees academic excellence. Other medical schools are following this example.

In terms of areas of development activity that these partnerships would focus on, the feedback interviews highlighted the following areas that the Facility could concentrate its work.

1. Education, including primary education for girls, and basic computer skills for children in rural areas;
2. Women's empowerment;
3. Primary healthcare;
4. Microenterprise/SME development;
5. Capacity building for grassroots NGOs in the development sector, emphasizing project monitoring and evaluation;
6. Value added knowledge transfer and best practices;
7. Development of community organizations;
8. Promote awareness of India's development problems in the US; and
9. Environment

Note: Given the controversial nature of many human rights activities, it was often cited as an area in which it would be inappropriate for the Facility to become engaged.

? Describe which divisions within the Government of India and state governments would have an interest in Facility activities and would be willing to assist in the design of the Facility.

Government of India participation

Upon USAID/India's request, the consulting team did not make direct contact with the GOI at this early stage in the design process. Therefore, the GOI's interest in participating in the design phase of this project is undetermined. Given the strong recommendations received during the stakeholder sessions with regard to keeping GOI involvement to the minimum, we would recommend that the government not be involved in the design phase.

GOI involvement in participating in partnership activities once the Facility is up and running, however, is a possibility that should be considered. In this regard, the following list provides names of divisions within the government that might participate. The list has

been developed based on matching the functions of the Ministries with the Facility's proposed service areas that emerged in stakeholder sessions.

	Government Department	Areas of potential collaboration
1	Ministry of External Affairs	Diaspora affairs.
2	Ministry of Health and Family Welfare – Department of Family Welfare; National AIDS Control Organization	HIV/AIDS, reproductive health issues.
3	Ministry of Home Affairs	Disaster management; legal and regulatory issues as they relate to NGOs.
4	Ministry of Human Resource Development – Department of Education; Department of Women and Child Development.	Education; women's issues.
5	Ministry of Rural Development – Council for Advancement of Peoples' Action, National Institute of Rural Development.	Rural development, NGO capacity building.
6	Ministry of Science and Technology - Council of Scientific and Industrial Research (CSIR).	Research and development.
7	Ministry of Small Scale Industries and Agro and Rural Industries.	Micro and small enterprise development.

In terms of state government participation, the following criteria may be helpful in deciding which states to focus the Facility's outreach efforts:

- Development need: The Facility could use poverty levels as an indicator of which states are in most need of development assistance and focus its efforts accordingly;
- Organizations present on the ground: The Facility should examine which organizations exist on the ground that demonstrate strong partnership potential;
- Expressed interest in cross border relations as manifest in anecdotal feedback and existing policies, laws and regulations; and
- Receptivity to foreign contributions: The Facility should examine which states in the past have demonstrated greater receptivity to foreign contributions as an indicator of future participation.

? *Assess alternative approaches that Facility could employ to engage these groups and recommend the approach felt most appropriate.*

The most important thing that the Facility would need to do to attract attention would be to create innovative, effective and durable partnership relations. In addition, it is important that the Facility engage in an active outreach program in order to publicize the products that it offers and generate interest among potential partnering entities. The organizational design for the Facility envisions a pro-active role for key staff that would encourage them to pursue an entrepreneurial approach to partner identification. The following is an indicative list of the types of activities that the Facility should consider in order to promote its program activities.

- Employ staff that are trained and capable in pursuing an entrepreneurial approach to partnership formation;
- Undertake an active outreach effort that involves making presentations to prospective partners, visits to prominent facilitating organizations like the Council of Foundations, Interaction etc;
- Participate actively in conferences, seminars and workshops on key development issues relevant to India;
- Establish an interactive website for stakeholders to express their views on Facility design issues as part of the design process;
- Once the Facility is established, regularly produce a newsletter that is widely circulated across a wide spectrum of organizations;
- Organize "trade fairs" that bring together a wide spectrum of organizational types and provide a forum for them to interact;
- Make contributions to scholarly journals that highlight best practices in partnership formation and management;
- Follow-up with institutions which have generally appeared to show interest in the Facility; and
- Structure a Board of Directors that posses an extensive range of senior-level relationships among the types of entities likely to utilize Facility services.

Participation Analysis Summary

This analysis analyzed two broad categories of organizations that will be interested in the work of the Facility:

1. **Funding organizations (and individuals)** that are interested in providing resources for development work in India and that have a particular interest in fostering cross-border collaboration. This category will include US and Indian foundations, US and Indian companies, some of the larger American nonprofit social purpose organizations and individuals from the Indian American community. [15]

2. **Prospective partner organizations** that will constitute the client base for the work of the Facility. This category includes a long list of different types of groups, many currently involved in development work together with some with a predominantly domestic focus that have a skill or technology that has potential relevance for India's development. This category will include: educational institutions, professional associations, advocacy groups, policy research organizations, scientific research organizations, community-based organizations, private voluntary development organizations and international humanitarian groups.

The durability and success of a partnership will depend on a long term mutual consensus that institutional benefits exceed institutional costs. A number of studies indicate that the likelihood that this will happen depends on key factors discussed in this report, including similarity of organizational function; complementarity of organizational purpose; overlap of program priorities; a perception of synergy; and a desire to grow in size through forming a partnership.

This analysis suggests that the following types of partnership relations are most likely to develop as a consequence of Facility work:

- Partnerships between American private voluntary development organizations (PVOs) and Indian NGOs.
- Partnerships between American advocacy groups and Indian NGOs and advocacy groups.
- Partnerships between American firms operating in India and Indian development and/or humanitarian NGOs or Indian scientific research or advocacy organizations.
- Partnerships between policy research groups in the United States and development and/or humanitarian NGOs in India.

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[15] With respect to the Indian American community, our analysis concluded that it is unlikely, in our judgment, that this constituency will become a significant consumer of the services offered by the proposed Facility in the near term. Indian Americans are represented by an impressive and growing array of Indian American organizations that link their skills and financing to charitable organizations engaged in development activities in India. Another important point to bear in mind is that the community is still in the early stages of becoming comfortable with American style philanthropy and is more comfortable in supporting religious and charitable causes to which they have personal connections in India.

- Partnerships between scientific research groups in India and/or the United States and advocacy groups in India and/or the United States.
- Partnerships between Indian educational institutions and American scientific research and/or advocacy groups.
- Partnerships between professional associations in India and America.

Finally, the analysis provides an indicative list of activities that the Facility should consider in order to promote its program activities and generate interest among potential partnering entities. Specifically, the Facility should:

- Employ staff that are trained and capable in pursuing an entrepreneurial approach to partnership formation;
- Undertake an active outreach effort that involves making presentations to prospective partners, visits to prominent facilitating organizations like the Council of Foundations, Interaction etc;
- Participate actively in conferences, seminars and workshops on key development issues relevant to India;
- Establish an interactive website for stakeholders to express their views on Facility design issues as part of the design process;
- Once the Facility is established, regularly produce a newsletter that is widely circulated across a wide spectrum of organizations;
- Organize "trade fairs" that bring together a wide spectrum of organizational types and provide a forum for them to interact;
- Make contributions to scholarly journals that highlight best practices in partnership formation and management;
- Follow-up with institutions which have generally appeared to show interest in the Facility; and
- Structure a Board of Directors that posses an extensive range of senior-level relationships among the types of entities likely to utilize Facility services.

— Chapter 4 —

LESSONS LEARNED ANALYSIS

? Identify relevant lessons learned from a review of USAID's experience in founding undertakings similar to the Facility in other countries.

USAID Experience in Establishing Similar Facilities: Lessons Learned

The consulting team reviewed the literature associated with USAID's experience in helping to establish independent institutions along the lines of the proposed Facility, especially where USAID was limiting or terminating over time its bilateral programs. The team also interviewed selected USAID officials responsible for managing the USAID relationship with these institutions as well as representatives of several of these organizations that have a Washington presence. The objective of this work was to identify the lessons learned that are relevant to the planning of the Facility in India.

Our research revealed a wide array of profiles and experiences with regard to USAID supported partnership organizations/foundations and how they were designed, implemented and monitored. In this regard, we were unable to identify any USAID - supported organization that could serve as a precise role model for the proposed Facility in India. This is because the preponderance of USAID-supported activities have had partnership formulation as a step in the process of attaining a specific program goal, rather than as an end in itself. However, there were a number of USAID undertakings aimed at supporting or creating independent development organizations with case histories of relevance to the India proposal.

The responsibilities of USAID in terms of monitoring and overseeing these independent entities varied greatly and depended on the "corporate culture" of individual USAID missions and the history of the recipient organization itself. Many organizations to which USAID provided assistance for institutional strengthening and/or program support, whether existing or newly created, were part of a larger USAID graduation strategy.

Supporting Local Organizations

USAID has several modalities available to support capacity building for existing or newly created organizations. They include direct project grants, grants provided under a cooperative agreement, and endowments (either in local currency or USAID provided appropriated dollars). Most of the endowments that have been funded by USAID were intended to strengthen the viability of existing local organizations as opposed to binational organizations with a mandated binational board of directors.

An important objective in virtually every case of USAID support for an endowment was enhancing sustainability of the organization. Early local organizations endowed by USAID that have impressive track records today include the **Korea Development Institute** and the **Korean Institute of Science and Technology.** The original intent of US support for these organizations was to create two institutions independent of government that would continue contributing to Korean development. Although not

explicitly designed to further US-Korean linkages, this did in fact result over time, according to a recent CDIE evaluation.

An example of an endowment aimed at strengthening a local institution was the USAID endowment for Profamilia, the Colombian affiliate of the International Planned Parenthood Federation. Profamilia's business plan calls for increased cost recovery and diversification of services. These measures, along with income from the endowment, are expected to ensure its viability as USAID phases out support for population activities in Colombia.

The Case of FUNDECOR

A contrasting approach toward local institutional development is found in the example of the *Fundacion para el Desarrollo de la Cordillera Volcanica Central* (FUNDECOR), a Costa Rican NGO that was established to implement a USAID-supported forestry project. Using resources from this project, USAID funded technical assistance through Price Waterhouse to assist FUNDECOR create and develop its organizational structure as well as its operating and financial control systems. Subsequently, $5.5 million was provided under the project through a cooperative agreement with FUNDECOR for a series of activities in natural forest management.

FUNDECOR was incorporated in May, 1989. It is controlled by a five member Board of Directors which maintains administrative and policy control. The USAID Mission and Price Waterhouse were involved in the selection of FUNDECOR's initial professional staff of six including the executive director, financial manager and the chief accountant. The FUNDECOR policy and procedure manuals for procurement, personnel, administration and accounting as well as its business code of ethics were developed by Price Waterhouse and the Foundation staff. The manuals were reviewed by the USAID Controller's office which determined that FUNDECOR's accounting, record keeping and overall financial management systems and internal controls, met the applicable standards set forth in AID regulations. Furthermore, FUNDECOR had access to managerial and technical assistance through the USAID contract with Price Waterhouse for the life of the cooperative agreement.

Along with the USAID Controller's certification, the USAID Rural Development Office reviewed FUNDECOR's technical capacity. It concluded that, with the technical assistance provided under the cooperative agreement, FUNDECOR would have adequate technical skills at its disposal to plan and carry out the forestry activities envisioned in the project statement.

Based on FUNDECOR's successful implementation of its cooperative agreement with USAID, USAID and the CostaRican Government on February 8, 1996 agreed to set up an endowment that would help fund FUNDECOR after the USAID supported forestry project ended. The endowment was funded with local currency generated by US foreign assistance provided to Costa Rica under a series of Economic Stabilization and Recovery Agreements.

The equivalent of $7.5 million in local currency was irrevocably transferred to the FUNDECOR Trust Fund. The trust fund is managed by a Costa Rican Bank. The corpus is invested in Costa Rica's national capital market. The trust agreement between USAID and the Costa Rican Government states that the purpose of the trust is to provide

financial support to FUNDECOR primarily to cover management costs and to attract additional funds for the trust, including soliciting contributions from public and private sources.

In accordance with the terms of the trust agreement, a Trust Technical Committee of five members was created. All members, who serve for staggered five-year terms, are appointed on a consensus basis by USAID (two nominations), the Government of Costa Rica (one nomination), and FUNDECOR (two nominations). The Trust Committee is responsible for, inter alia, overseeing the trust fund's investments, approving the annual budget of expenses to be financed with funds from the trust, and for contracting an annual external technical evaluation of FUNDECOR's accomplishments.

Owing to sound investment decisions by the financial institution that manages the Trust's investments, and successful outside fundraising, the value of the FUNDECOR Trust has doubled since its creation.

Binational Organizations

Binational organizations (mostly foundations) display a binational character in the structure of their management, although their programs may be focused exclusively in one country. USAID's funding of binational foundations has been primarily through the creation of an endowment, typically as part of a USAID transition or graduation strategy.

The CDIE report entitled "USAID Graduation: Recent Experience and Outstanding Issues" dated May 1999 is USAID's most recent effort to evaluate USAID support for binational foundations. The report contains four mini case studies -- Costa Rica - USA Foundation for Mutual Cooperation (CRUSA); Portugal - Luso-American Development Foundation (LADF); Thailand - US-Thailand Development Partnership (USTDP); and Zimbabwe: Zimbabwe-American Development Foundation (ZADF) that are useful to review in thinking about the Facility.

The lessons learned from the USAID experience in creating the above organizations may be summarized as follows.

1. A clear objective(s) for the organization should be established at the outset.

2. Broad but clearly defined areas of programmatic activity should be identified at the outset.

3. Careful attention should be given to how the board is selected and who is chosen for it. The stature and quality of the founding board members sets the tone for high quality operations.

4. The number of US and cooperating country board members should be equal.

5. A date should be established by which time all USAID monitoring and oversight responsibilities will cease. (In this regard, it should be noted that USAID Policy Determination No. 21 requires a 5 to 10-year oversight period for endowments financed with USAID appropriated dollars.)

6. The best and most sustainable programs funded by binational organizations are partnerships with strong backing by the individual partners.

7. Partnerships must be anchored in a NGO or university with an established track record.

8. The design process must pay special attention to the tax structures of the partner country and the United States.

9. No USAID-supported foundation was able to attract private corporate funding for its basic endowment.

10. Generating a given annual level of program and administrative funds requires an endowment fund 15 to 20 times as large.

The Case of the Baltic American Partnership Fund

The Baltic American Partnership Fund (BAPF) has been suggested as a possible model for the proposed Facility in India. BAPF was established in 1998 by USAID and the Open Society Foundation (the Soros Foundation) as a public-private partnership. Each founder has provided $ 7.5 million to the BAPF to be spent over the next ten years. The BAPF is a New York-based public charity, directed by an independent board of directors. The board is composed of prominent individuals who are committed to the democratic and civil society mission of the organization, and to the objectives of the BAPF in all three Baltic nations. However, because the BAPF is engaged primarily in making grants to local NGO for civil society activities, rather than fostering cross-national partnerships, and because the BAPF is on a path to self destruct following ten years of grant making, rather than seeking to become financially self-sustaining over the long-term, it does not serve as a replicable model for the India proposal.

Endowments

It is unlikely that the proposal for a joint Facility will have as a prominent feature an accompanying endowment, at least at the outset. However, because the issue of financial sustainability for the Facility will need to be addressed in the design process, and because the longer-term vision for the Facility includes the possibility of evolving into a USAID legacy institution, the consulting team reviewed the available literature on USAID funded endowments with USAID appropriated funds.

An endowment, at times called a trust, is a sum of money set-aside for a specific purpose and invested to generate a stream of income over time. USAID's policy regarding endowments is set forth in *USAID Policy Determination 21 -- Guidelines: Endowments Financed with Appropriated Funds.* This document delineates the major aspects of the endowment process and structure, and offers general guidelines concerning the roles and responsibilities of those responsible for managing an endowment. PD-21 was issued in July, 1994. It has not been revised since then. Importantly, we were told by the senior policy official at USAID responsible for endowments that USAID at this time has no plans to review and/or alter PD-21. Thus, PD-21 remains the operative policy guidance for USAID endowments.

PD-21 outlines some of the possible "objectives" that may justify use of the endowment mechanism. Those relevant to the possible application of an endowment for the proposed Facility are set forth below:

1. Broaden and enhance the funding base of an NGO;

2. Encourage the establishment of philanthropic principles in countries where such principles are less well-established;

3. Institutionalize an activity allowing it to continue beyond USAID funding;

4. Continue development strategies through international or indigenous groups upon termination of USAID presence.

In November 2001, USAID contracted with Deloitte Touche for an evaluation of USAID dollar appropriated endowments. The evaluation carried out by Deloitte Touche and entitled *Funding for the Future? Lessons from the Past*, noted that more than 30 USAID-funded endowments have been implemented under PD-21. In broad sweep, the Deloitte Touche evaluation team reported that most of the endowments are considered useful and successful. Some of the relevant conclusions of this report were:

1. A rigorous screening process for potential recipient organizations is needed to ensure that those that receive an endowment can manage and implement it properly.

2. Holding recipient organizations accountable for financial reporting and spending is vital to maintaining support for the endowment mechanism.

3. USAID and recipient organizations must have a clear understanding of the administrative costs of establishing and maintaining an endowment.

4. USAID and the recipient organization must properly calculate the size of the endowment needed to generate a desired stream of income. The report notes that a methodology has been developed for this purpose.

The report also recommends that USAID improve its capacity to monitor endowments once established to ensure compliance with the grant agreement and reporting requirements.

We note here that PD-21 offers specific guidance regarding potential recipients of USAID dollar appropriated endowments, including that they meet pre-survey award requirements, and have a specified use for the endowment in line with programs and activities of the organization. PD-21 does not dictate the age or profile of a recipient organization but does observe that new and weak institutions tend to require higher degrees of monitoring and oversight, which in some cases indicates that an endowment is not an appropriate mechanism. In such cases, PD-21 recommends that a mission consider traditional forms of funding, such as a grant through a cooperative agreement, until the institutional development of the selected organization has taken place and USAID is sure that an endowment is an appropriate mechanism.

With regard to the monitoring and oversight of an endowment, PD-21 guidelines note that the grant agreement between USAID and the endowed institution should establish a set period of oversight and recommends a minimum of five and a maximum of ten years. PD-21 does specify a few areas where USAID oversight might be appropriate, though it does not mandate the use of any or all of them. They are:

1. USAID participation on the Board of Directors or as part of the governance structure, though in a non-voting or ex-officio capacity;

2. USAID approval of the first roster of the Board but not subsequent rosters;

3. USAID receipt and review of select annual reports and/or annual plans related to the use of endowment resources.

Global Development Alliance

Public-private alliances, as promoted by USAID's new Global Development Alliance (GDA), represent an important business model for USAID, and are applicable to many of the Agency's programs. GDA builds on many successful alliances around the world and seeks to take the best of those experiences and significantly expand this approach to meeting development objectives. GDA brings a mix of new partners, including NGOs, private voluntary organizations, cooperatives, foundations, corporations, higher education institutions and even individuals to the development business.

USAID has considerable experience with the development of strategic partnerships. The following are but a few of the many successful alliances currently in place:

1. The *Global Alliance for Vaccines and Immunization* is a partnership between the Gates Foundation (which provided a $750 million financial commitment), USAID, international institutions, including the World Bank, United Nations Children's Fund, the World Health Organization, the pharmaceutical industry and others to address the 30 million children every year who do not receive vaccinations.

2. Conservation International has partnered with Starbucks Coffee in a USAID program to promote more remunerative and environmentally sound coffee production in the buffer zone surrounding the El Triunfo Biosphere Reserve in Mexico.

3. The *Parks in Peril* program, which has mobilized more than $70 million of non-USAID funding, is a partnership among USAID, the Nature Conservancy, local NGOs, and local government agencies to ensure the protection of up to 37 critically threatened Latin American and Caribbean national parks and reserves of global significance.

The formation of the GDA expresses USAID's strong commitment to developing future alliances and partnerships. In this regard, it provides a positive policy framework and is entirely consistent with the goals and objectives of the proposed Facility.

? *Identify lessons learned from the experience of other institutions attempting similar undertakings in India.*

Indian Experience in Establishing Similar Facilities: Lessons Learned

In this section, we seek to highlight the case of an important experience in the Indian context initiated in the mid 1990s by Winrock International (US) to create an independent entity in India. The initial plan was to create in India an organization that would support collaborative work between Indian and American scientists engaged in applied agricultural research relevant to Indian agricultural development. Winrock International carried out a study in the US to assess interest among the Indian American community in supporting this effort, both financially and as volunteer scientists. The idea of creating a sinking-fund endowment with USAID support also was explored. Notwithstanding some positive indications from the Indian American community and USAID, this initiative faltered and eventually withered.

Subsequently, Winrock International decided to set up an independent entity in India that would be named Winrock International - India. This entity was created in the late 90s as a Society under Indian law. The Society option (as opposed to a Trust or a nonprofit company under the Companies Act) was chosen because Winrock International wanted the Indian entity to qualify as a NGO, thereby making it attractive for NGO funding from the international donor community. Winrock International engaged counsel in New Delhi to sheppard the paperwork through the Indian system for the creation of Winrock International - India as a society. The process was time consuming and arduous, but once set up the entity has not encountered any fall-out problems related to the Indian laws governing the functioning of a society. The board of directors is comprised entirely of Indian nationals although there is a member from Winrock International in the US who serves as an *ex-officio* member. Winrock International financed all the substantial start-up costs associated with the creation and initial operations of Winrock International – India.

An important element of the agreement between Winrock International and Winrock International - India was that the CEO for the first two years would be from Winrock International in the US and that the two organizations would evenly split the costs of this CEO. As of this writing, the Winrock International CEO will complete her term in June 2003, and will be replaced at that time by an Indian national.

With regard to the FCRA process, Winrock International reported that the process was time consuming and included a visit to Winrock International – India offices to validate its *bona fides.* Since the FCRA system has been in place, however, Winrock International – India has not encountered any problems or protracted delays in receiving funds from its American counterpart.

At the beginning of the relationship between Winrock International and Winrock International - India, the US entity was actively engaged in managing the operations of Winrock International – India. Friction between the two entities, culminating in a reaction from the Indian side, was eventually resolved by the devolution of full operating authority from Winrock International to the CEO of Winrock International – India.

Today, Winrock International - India has about 47 employees (two thirds are professionals and the costs of most are charged against projects) and about $1 million in annual revenues that are derived from project activity financed by the Ford Foundation,

USAID, the Danish and Dutch aid agencies, the World Bank and the Government of India. Winrock International-India now covers all of its expenses from revenues, including a one percent franchise fee paid to Winrock International in the US.

The lessons learned, based on the Winrock International and other experience in India in trying to create institutions and foster partnerships, are as follows:

1. A foreign entity should avoid micro-managing its Indian partner and instead respect its independent nature. After Winrock International adopted a hands-off attitude toward the management of Winrock International India, the latter came into its own, becoming financially and programmatically self sufficient (except for the CEO arrangement which by prior agreement will pass to an Indian national in June, 2003).

2. A good understanding of Indian rules and regulations concerning the establishment of an entity under Indian law and governing the transfer and accounting of funds from abroad is essential. Winrock's experience was that once the set up period was completed, everything has functioned without a problem.

3. Engaging respected legal counsel and an established accounting firm in India to provide guidance in dealing with Indian policies and regulations, as well as the Indian bureaucracy, is money well spent.

4. Indian NGOs need to expand fund raising programs that are required for financial sustainability.

? Synthesize these lessons learned into a set of recommended parameters to be used in structuring USAID/India's role and relationship to the Facility.

The recommended parameters for structuring USAID's role in the Facility are as follows:

1. Ensure that the new entity is legally and structurally independent from USAID and that it is viewed as master of its own destiny. USAID should intrude as little as possible into the internal affairs of the new entity, consistent with ensuring that it has adequate internal control and financial accountability systems in place.

2. USAID should provide grant financing to cover institutional start-up costs. Following this, when the new institution's financial and technical capabilities are certified by USAID financial and technical experts, USAID should enter into a cooperative agreement with the institution to finance program activity for a limited number of years. Once the institution has a track record of program achievement and success, it may be considered an attractive entity for a USAID endowment and/or private donor financing.

3. Careful attention should be given by USAID to how the board is selected and who is chosen for it. The stature and quality of the founding board members set the tone for high quality operations. USAID should ensure that the number of US and cooperating country board members is equal.

4. USAID should have a representative on the Board of Directors, though in a non-voting capacity. It should also enter into negotiations with the Government of India to have a similar representation from the Indian government side.

5. USAID should approve of the first roster of the Board but not subsequent rosters.

6. A date should be established by which time all USAID monitoring and oversight responsibilities will cease. In this regard, it should be noted that USAID Policy Determination No. 21 requires a 5 to 10-year oversight period for endowments financed with USAID appropriated dollars. However, if the Facility is to attract eminent persons from key institutions in India and the US then, it will have to agree to keep a notional oversight from the beginning.

7. USAID should ensure that the design process pay special attention to the tax structures of the partner country and the United States.

8. Since no USAID created organization has been able to attract private corporate funding for its basic endowment, specific efforts will need to be made to ensure that funding sources for the entity's operating costs are covered from other than corporate sources. Indian corporate financial support to cover operating and program costs should be initiated at the earliest.

9. Generating a given annual level of program and administrative funds requires an endowment fund 15 to 20 times as large. This ratio should be born in mind when considering the evolution of the partnership. It may be worthwhile to consider building a revenue stream in the Facility for providing services to for profit and financial institutions.

10. The partnership process managed by the new Facility will need to give special recognition to inadequate capacity on the part of many potential Indian partners to manage programs and account for resources.

Lessons Learned Summary

Our research revealed a wide array of profiles and experiences with regard to USAID-supported partnership organizations/foundations and how they were designed, implemented and monitored. In this regard, we were unable to identify any USAID-supported organization that could serve as a precise role model for the proposed Facility in India. This is because the preponderance of USAID-supported activities have had partnership formulation as a step in the process of attaining a specific program goal, rather than as an end in itself. However, there were a number of USAID undertakings aimed at supporting or creating independent development organizations with case histories of relevance to the India proposal.

The lessons learned from the USAID and Indian experience in creating such organizations may be summarized as follows.

1. A clear objective(s) for the organization should be established at the outset.

2. Broad but clearly defined areas of programmatic activity should be identified at the outset.

3. Careful attention should be given to how the board is selected and who is chosen for it. The stature and quality of the founding board members set the tone for high quality operations.

4. The number of US and cooperating country board members should be equal.

5. A date should be established by which time all USAID monitoring and oversight responsibilities will cease. (In this regard, it should be noted that USAID Policy Determination No. 21 requires a 5 to 10-year oversight period for endowments financed with USAID appropriated dollars.)

6. The best and most sustainable programs funded by binational organizations are partnerships with strong backing by the individual partners.

7. Partnerships must be anchored in a NGO or university or other institution with an established track record.

8. A good understanding of Indian rules and regulations concerning the establishment of an entity under Indian law and governing the transfer and account of funds from abroad is essential.

9. Engaging respected legal counsel and an established accounting firm in India to provide guidance in dealing with Indian policies and regulations, as well as the Indian bureaucracy, is money well spent.

10. No USAID supported foundation was able to attract private corporate funding for its basic endowment.

11. Generating a given annual level of program and administrative funds requires an endowment fund 15 to 20 times as large.

Based on these lessons learned, the recommended parameters for structuring USAID's role in the Facility are as follows:

1. Ensure that the new entity is legally and structurally independent from USAID and that it is viewed as master of its own destiny. USAID should intrude as little as possible into the internal affairs of the new entity, consistent with ensuring that it has adequate internal control and financial accountability systems in place.

2. USAID should provide grant financing to cover institutional start-up costs. Following this, when the new institution's financial and technical capabilities are certified by USAID financial and technical experts, USAID should enter into a cooperative agreement with the institution to finance program activity for a limited number of years. Once the institution has a track record of program achievement and success, it may be considered an attractive entity for a USAID endowment and/or private donor financing.

3. Careful attention should be given by USAID to how the board is selected and who is chosen for it. The stature and quality of the founding board members set the tone for high quality operations.

4. USAID should approve of the first roster of the Board but not subsequent rosters.

5. A date should be established by which time all USAID monitoring and oversight responsibilities will cease. In this regard, it should be noted that USAID Policy Determination No. 21 requires a 5 to 10-year oversight period for endowments financed with USAID appropriated dollars.

6. USAID should ensure that the design process pay special attention to the tax structures of the partner country and the United States.

7. Since no USAID created organization has been able to attract private corporate funding for its basic endowment, specific efforts will need to be made to ensure funding sources for the entity's operating costs are covered from other than corporate sources. Indian corporate financial support to cover operating and program costs should be initiated at the earliest.

8. Generating a given annual level of program and administrative funds requires an endowment fund 15 to 20 times as large. This ratio should be borne in mind when considering the evolution of the partnership. It may be worthwhile to consider building a revenue stream in the Facility for providing services to for profit and financial institutions.

9. The partnership process managed by the new Facility will need to give special recognition to inadequate capacity on the part of many potential Indian partners to manage programs and account for resources.

— Chapter 5 —

GENDER ANALYSIS

This analysis identifies the most significant gender issues in the design of the Facility and its subsequent operations, and recommends ways in which these issues may be addressed. Specifically, this analysis:

? *Builds upon the findings of the broader gender analysis prepared by USAID/India during its recent strategy development exercise; and*

? *Has been prepared in keeping with guidance provided in USAID's Automated Directive System section 201.3.4.11.*

The Rationale for Paying Attention to Gender while Planning and Implementing the Facility

Gender Analysis and Women's Participation Will Contribute to Achievement of the Facility's Goal of Social and Economic Development

Among development specialists and donors, there is now widespread acceptance of the proposition that achieving sustainable development depends on paying attention to women's participation and to gender issues. Some at USAID recognized this as early as the 1970s with issuance of a still relevant women in development (WID) Policy Paper. Two decades later, on the heels of the Fourth World Conference on Women, USAID articulated its commitment to gender equity, and to gender and development (GAD), through the 1996 Gender Action Plan. USAID institutionalized that policy by establishing both required and recommended procedures in the Automated Directives Service (ADS).[16] Thus apart from the fact that the ADS requires some analysis of gender-related barriers and opportunities in new project design, such an analysis is a way to strengthen the design and implementation of the proposed Facility.

It should be noted at the outset that this gender analysis references three related but different concepts: (1) WID and specific attention to women's participation, (2) gender analysis, and (3) gender equity. We reference WID because it focuses on women's particular needs, roles, access to capital, legal rights and capacity-building. While it does not analyze the reasons behind differences in access to resources, services, and opportunities between men and women in a given society or group, it typically calls for projects or project components to compensate for such differences.

In contrast, gender analysis (a component of GAD) focuses on the participation of and benefits to each gender in development programs, while promoting women's leadership

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[16] There are three key sources of USAID policy related to WID and GAD: The WID Policy Paper of 1982, (USAID, Office of Women in Development, Washington DC) the Gender Plan of Action of 1996, and the ADS Revisions from 1999 and later. Through the WID Policy paper, USAID stated a commitment to:
? Take account of actual and potential roles of women in carrying out development assistance program;
? Support women's institutions and programs where special efforts are required to reach women because of cultural conditions; and
? Recognize that the productivity of women is important to personal, family and national well-being.

of and equality in program and organizational structures. Gender analysis enables us to identify (1) the <u>reasons</u> for differences in access, roles, opportunities and power, and (2) their <u>consequences</u> for individuals (men and women), households, communities and economic development in general – and attempts to modify their negative aspects.

Gender equity fits within a normative or rights-based discussion. It refers to the goal of fairness, ending sex-based discrimination, removing barriers to equal access and accepting women's legal rights.

The central goal of the proposed Facility is to produce outcomes that have a positive result on development. As a matter of equity, "development" should mean improved social and economic circumstances for all. Thus in India, as elsewhere, development should benefit the approximately 50% of the population who are women.[17] Further, however, as was noted in USAID/India's 2001 Gender Assessment, women's status, poverty, and gender-based exclusion impede effective development in India.[18] Lastly, if given the opportunities, women will contribute substantially to development.

Three of India's greatest challenges are population growth, poverty and public health.[19] In each case, women's education, healthcare and empowerment are key focuses for meeting those challenges. As India is a diverse country, of different cultures and classes, so, too, there is a vast range and variety of Indian women. But from poor and uneducated women who have used micro-enterprise to generate desperately needed household income, to highly educated Indian women who are among the most experienced gender equality experts and advocates in the world, they offer determination and expertise that are critical assets for producing outcomes that have a positive result on development.

Attention to Gender and to Women's Participation Will Add Value and Enhance Implementation of the Facility

Apart from the general goal of the Facility, the project as conceived will benefit from attention to women and gender. One objective of the Facility is to increase the quantity and quality of collaboration between American and Indian organizations that work in the area of social and economic development. It will also work to identify and support innovative ideas, solutions, methodologies and technologies. Purposeful inclusion of women will enrich those efforts, adding diversity to quantity and quality, which in turn generates greater innovation. Further, the Facility will encourage alliances that are "dissimilar", in terms of organizational subject matter and organizational type, recognizing that such partnerships may be more difficult to construct and manage, they are likely to have a higher societal impact. Paying attention to women and women's groups, as well as groups whose work focuses on gender-related challenges, may offer valuable opportunities to broker novel partnerships.

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[17] In "India … women face strong cultural and social biases that present major obstacles to their obtaining quality healthcare, secure livelihoods, political enfranchisement and social equality." Blakeslee, Katherine and David Hirschmann, USAID/India Gender Assessment, New Delhi, India, July 2001, p. 2.

[18] "Gender based violence, trafficking, denial of access to education, inheritance or economic benefits, and entitlements impede development. Handicapped by denial of their rights, women's productive contribution is greatly lessened and families and society suffer as a result." Gender Assessment, p. 7.

[19] See Gender Assessment, p. 6.

In addition to the constraints listed in the Chapter 3 of this analysis, there are a variety of cultural barriers to women's partnership, such as access to education and literacy, opportunities to travel independently, and access to information technology.[20] Though such barriers vary regionally and economically in India, they may impede the participation of women in partnerships.

As is discussed further below, the success of the Facility will be furthered by ensuring attention to (1) the needs of women, (2) women's rights and gender inequality, and (3) women's contributions to development.

Opportunities to Strengthen the Facility by Institutionalizing Attention to Gender and WID

Failure to recognize gender and institutionalize attention to it could result in a facility that inadvertently ignores some of India's key development problems. Just as the Gender Assessment identifies such development challenges, the Facility must be constructed and operated to ensure that it encompasses them. Unfortunately, experience has taught us that even when an institution or organization begins by paying attention to gender and women, they all too often slip from the agenda, lost among other goals and pressures.

There are a number of areas where gender and/or women's participation may be forgotten – but if remembered, may strengthen the Facility's operations:

- When seeking and engaging partners, in the US and in India, who have resources, commitment, ideas to contribute: Make sure not to forget Indian American women as sources of support.

- When seeking to identify and address constraints to partnering: Make sure to identify and address constraints that are particular to women's organizations, to women's issues, or to women as partners.

- When paying attention to the difficulty anjd cost of translating an approach or methodology that is suited to the American context to one that is viable and effective in India: Make sure to think in terms of gender-related roles, power and resources.

- When contending with the difficulty that many organizations (particularly social purpose not for profit) have in contemplating a diminution of institutional sovereignty as a consequence of an alliance relationship: Pay attention to sensitivities of women's organizations, fearful of losing control to larger, more sophisticated and possibly male-directed partners. For example, imagine a relationship with great substantive potential – but an American man accustomed to making decisions and a strong self-made Indian woman as leaders of their respective groups. It would be important to manage their collaboration, so they can learn to work together effectively.

- When laying the groundwork for the possible establishment of a US/Indian Legacy Foundation: Be aware of the danger of creating or perpetuating distorted legacies,

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[20] See Gender Assessment, p. 5.

e.g. some of earlier, colonial development that introduced European biases by focusing on men – and thereby reducing the roles or status of women. If building partnerships is increasingly central to development, and motivations include access to additional donor resources, sharing of information, sharing of technology and best practices, chances for joint project implementation – then it is crucial that new concepts and approaches build attention to women's needs, status and contributions from the outset.

- When seeking to counter a possible conservative cultural bias: Make a point of listening to and working with women. They may be an example of where there may not be a scarcity of creative insights but a capacity to move those good ideas to fruition. Careful involvement of women may assist the search for tipping points' that will multiply the impact of limited resources.

- When seeking the advantages of dissimilar alliances: Find opportunities where, rather than matching women's groups with women's groups, it may be possible to match women's groups with universities, hospitals or marketing experts. This may also be a good source of cross-sectoral and cross institutional relationships.

- When building on the expectation that the role of the independent voluntary sector will be pivotal: Note that women are typically a large part of the third sector. Yet women's NGOs and women in the third sector, may be among those whose absorptive capacity is limited – and with strengthening could be ready to accept and utilize resources. It will be important to ensure that they benefit from voluntary sector capacity-building, experience and resources.

- When looking for ways to attract US corporate support: A focus on the workforce, e.g. regarding child labor, women's labor rights or corporate codes of conduct, may generate corporate interest.

- When concerned with the difficulty in understanding the importance and in overcoming the inequality in the power balance of the relationship: While well intentioned, many alliances founder on tensions rooted in a perception of inequality. Paying attention to gender may improve sensitivity to similar issues, e.g. understanding disparities of power and resources between men and women helps to anticipate similar disparities between partners in the US and India. Being on the lookout for and understanding the power and resource aspects of gender-based barriers might strengthen the capacity of the Facility's staff and board members to overcome other barriers, thereby improving the capacity to nurture successful alliances.

Strategic Points for Ensuring Attention to Gender

One interesting aspect of the Facility is that it involves not only the substance of its work, but also the establishment of an institution. There are a number of aspects of the institution-building, where it will be important to pay attention to gender and to women.

Definition and Values of the Facility

As pointed out in Chapter 3, it is important to ensure that the Facility is perceived as an indigenous organization with Indian affiliation and roots, reflecting Indian values and priorities. Yet India is a diverse country, with values and priorities that may differ according to such factors as class, religion, location and gender. Though it may not be easy, it will be important to ensure that there is diverse participation and influence in defining those values and priorities.

The Facility's guiding norms and rules will emerge from drafting a **charter and by-laws** pursuant to the principles and guidelines set forth by the institution. Ensuring that gender equality as a norm and objective, and gender analysis and women's participation as ways of achieving the Facility's goal, will depend on memorializing such commitments in the charter and by-laws.

Gender concerns play an important role in the **strategic planning process** aimed at identifying sectoral and/or organizational priorities. The selection of these priorities will be based on an analysis of the potential for establishing strong and/or partnership relationships that are likely to have significant impact on India's development. Failure to incorporate attention to gender into strategic planning and the identifying priorities may result in missed needs and opportunities.[21]

Facility Capabilities

With regard to institutional capabilities, the Facility will need the capability to identify, assess and address issues of women in development and gender equity. That capability will be important at several levels internally, as well as externally.

- **Board of Directors**: The Board composition will reflect "gender balance" as one factor. In addition, however, attention must be paid to gender expertise being both US and Indian. (Might there be a risk if all the women were from India, and the men from the US?) It will also be important that the Chair of Board be open to, and supportive of, women and gender-focused development. Otherwise, there is a risk of internal tensions, clashes, and limited impact of women or gender supporters on the Board.

- When ensuring access to key leaders and influential thinkers in the development community, include women and experts on gender.

- The capacity to monitor and evaluate (M&E) a portfolio of diverse relationships with partnering groups including the capacity to identify relevant measures of progress and success. This M&E capacity should include the capacity to assess gender impacts.

Core Functions

A number of "nuts and bolts", basic functions, will ensure that the Facility benefits from women's contributions and contributes to their development needs:

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[21] But note that the sub-sectors that have been discussed are each tied to women: education and literacy, HIV/AIDS, micro and medium enterprise, energy issues (see Gender Assessment, p.15-16) and population and family planning (see Gender Assessment, p. 11-14).

- **Database**: It should include information about the key topics raised in the Gender Assessment, including violence against women, trafficking in women and girls, information technology and gender, training of women elected officials, child labor and girls' education (Gender Assessment, p. 17-19). In addition, however, the database should include a wide spectrum of information about development organizations that might work with or for women, and provide basic gender expertise.

- **Studies and analysis**: When such studies are undertaken to identify areas of potential collaboration, their terms of reference should include the expectation that they will look at women's needs, ideas and potential collaboration.

- **Marketing and outreach**: Madison Avenue advertisers learned long ago the importance of demographics for marketing. Generalized outreach, conferences, fairs and articles, among other mechanisms, will not necessarily reach the women or organizations who focus on gender equality, work with women, or might bring new skills, approaches and resources to women's needs.

- **Information exchange**: As with marketing, when establishing mechanisms such as a website, newsletter, or conferences, each should incorporate a strategy regarding women. There may also be a need for information exchange focuses particularly on women or gender expertise.

- **Grant support**: Ideally, with all of the other provisions regarding capacity, data, management, etc. it will not be necessary to establish set-asides or quotas for grants for women. Yet, the Facility should have the capacity to monitor the number of women grantees and projects about women or gender equity. If monitoring turns up deficiencies, the Facility should be prepared to take corrective action.

Seven Key Institutional Recommendations

The discussion in the previous section identified strategic entry points for ensuring that the Facility benefits from women and gender analysis. Though that discussion suggests various opportunities to strengthen the Facility through attention to gender, the following are seven key recommendations to institutionalize that attention.

1) **The Board:** Ensure that the Board includes women and gender supporters from both India and the U.S.
   - Include questions regarding gender and women in Board surveys or interviews.
   - Include gender balance as criteria for overall diversity.

2) **Staffing:** Ensure that either the Executive or Deputy Director has gender expertise, along with one grants officer and one sectoral specialist.

   - Draft job descriptions to include expected expertise regarding gender or WID.

3) **Charter and By-Laws:** Make sure that the approved NAD, and then the charter and by-laws, incorporate the Facility's commitment to gender equality, women's participation and women as key assets for achieving the Facility's objective of outcomes having a positive impact on development. (This is essential, because

leadership and staff change, and because this is what sets the overall culture and expectations.)

4) **Principles to Guide Sectoral and/or Organizational Priorities:** In determining programmatic priorities, include as a guiding principle sensitivity to gender and/or incorporation of women as one factor.

5) **External Advisors:** In establishing expert advisory panels, have one on women in development and gender analysis. Anticipate and budget for 1-2 management consultancies relating to gender and development, women, etc.

6) **Monitoring and Evaluation**: M&E should include monitoring and reporting related to gender equality, women's participation, and gender-related lessons learned. After year 2, require a focused evaluation of the Facility's capacity and accomplishments relating to gender. In the Year IV and Year V Program and Impact Evaluations, include expected attention to women and gender within the terms of reference.

Gender Analysis Summary

The central goal of the proposed Facility is to produce outcomes that have a positive result on development. As a matter of equity, "development" should mean improved social and economic circumstances for all. Thus in India, as elsewhere, development should benefit the approximately 50% of the population that are women.

One objective of the Facility is to increase the quantity and quality of collaboration between American and Indian organizations that work in the area of social and economic development. It will also work to identify and support innovative ideas, solutions, methodologies and technologies. Purposeful inclusion of women will enrich those efforts, adding diversity to quantity and quality, which in turn generates greater innovation. Further, the Facility will encourage alliances that are "dissimilar", in terms of organizational subject matter and organizational type, recognizing that such partnerships may be more difficult to construct and manage, they are likely to have a higher societal impact. Paying attention to women and women's groups, as well as groups whose work focuses on gender-related challenges, may offer valuable opportunities to broker novel partnerships.

Key recommendations for addressing gender described in this analysis include:

The Board: Ensure that the Board includes women and gender supporters from both India and the U.S. Include questions regarding gender and women in Board surveys or interviews. Include gender balance as criteria for overall diversity.

Staffing: Ensure that either the Executive or Deputy Director has gender expertise, along with one grants officer and one sector specialist. Draft job descriptions to include expected expertise regarding gender or WID.

Charter and By-Laws: Ensure that the approved NAD, and then the charter and by-laws, incorporate the Facility's commitment to gender equality, women's participation and women as key assets for achieving the Facility's objective of outcomes having a positive impact on development. (This is essential, because leadership and staff change, and because this is what sets the overall culture and expectations).

Principles to Guide Sectoral and/or Organizational Priorities: In determining programmatic priorities, include as a guiding principle sensitivity to gender and/or incorporation of women as one factor.

External Advisors: In establishing expert advisory panels, have one on women in development and gender analysis. Anticipate and budget for 1-2 management consultancies relating to gender and development, women, etc.

Monitoring and Evaluation: M&E should include monitoring and reporting related to gender equality, women's participation, and gender-related lessons learned. After year 2, require a focused evaluation of the Facility's capacity and accomplishments relating to gender. In the Year IV and Year V Program and Impact Evaluations, include expected attention to women and gender within the terms of reference.

- Chapter 6 -

LEGAL AND ORGANIZATIONAL ANALYSIS

? *Examine the advantages and disadvantages of alternate legal and organizational structures available under US and Indian law through which the Facility could be incorporated, and recommend and justify that deemed most appropriate.*

We present below the analysis and recommendations prepared by the legal analysts.[22]

Background and Assumptions

Stage 1
- USAID partners with a credible Indian entity to set up the Facility in India and provides initial funding.
- The Facility will be managed and operated by Indians.
- The Facility will endeavor to build partnerships between US and Indian entities in a variety of socio-economic sectors and will identify good and credible non-government organizations and projects to fund and help develop.
- A part of the activity of the Facility will be to make grants to specific projects in India.

Stage 2
- Facility receives donations from various Indian, US entities (including corporates) and non resident Indians ("**NRIs**").
- USAID funding is minimised as private funding increases.
- Facility may set up an entity in the US or may partner with an existing entity in the US.

Stage 3
- Facility may need the flexibility to look at generating revenues to support its activity on a non-profit basis.
- USAID exits.

Key USAID objectives are:

- Fund utilization – basic objectives.
- The Facility will be Indian managed and administered.
- At a later stage, USAID can, after having established and firmly operationalized the Facility, have the flexibility to eliminate its involvement in the Facility.

We have examined the following possible options that may be considered for setting up the Facility in India:

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[22] The legal briefs were prepared by Trilegal, a Delhi-based law firm. To the extent possible, the legal analysis has been presented in its verbatim state. (The term NRI used by the lawyers, for example, has been purposefully left in this section). This has been done deliberately, so as to preserve the sanctity of the legal counsel received.

- Company set up under Section 25 of the (Indian) Companies Act, 1956 ("Companies Act").
- Regular private limited company.
- Trust.
- Society.

In addition, we have also examined the implications of setting up the entity in the US as a non profit corporation.

Company set up under Section 25 of the Companies Act ("Section 25 Company")

General
- The Facility may be established in India as a company incorporated under Section 25 of the Companies Act, formed with the objective of promoting commerce, art, science, religion, charity or any other useful object.
- A license will have to obtained from the Central Government for registering the Facility as a company with limited liability under Section 25 of the Companies Act.

Advantages
- A Section 25 Company enjoys certain privileges under the Companies Act, which are otherwise not available to associations or unincorporated entities. For example, its officers and members enjoy immunity from personal liability; it also enjoys certain exemptions, granted by the Central Government, from the applicability of certain administrative provisions of the Companies Act.
- A Section 25 Company is not required to have a minimum paid up share capital like a regular private limited company.
- USAID will be able to nominate its representatives on the board of directors of the company even if these representatives are resident outside India.
- It can undertake a wide range of activities and its objects can be modified should the need arise, to provide services on a nonprofit basis.
- Such a company would be able to charge a fee for facilitating Indo-American partnerships. However, it must apply its profits in promoting its objects and cannot pay dividends to its shareholders/US legal entity.
- Indian entities/individuals contributing to a Section 25 Company (provided the Section 25 Company gets a tax exempt status) will be eligible to get a tax break on donations made under Indian income tax laws.

Disadvantages
- A license will have to obtained from the Central Government prior to setting up a Section 25 Company.
- A Section 25 Company must apply its profits in promoting its objects and cannot pay dividends to its shareholders.
- Application has to be made to obtain a tax exempt status to benefit its funders.

Regular private limited company

General
- A private limited company, not being a Section 25 Company, may also be considered.

Advantages
- A private limited company has greater flexibility in terms of the business activities it can undertake. It can undertake ventures for profit.
- USAID would be able to nominate directors on the board of directors of the company. Directors can be resident outside India.
- A private limited company would be able to generate revenue and pay dividends to its shareholders out of its profits.
- A private limited company can enter into joint ventures with other companies and also invest in other companies.

Disadvantages
- Donations to a private company do not give a tax exemption to donors, therefore reducing its attractiveness to donors.
- A private limited company must have a minimum of two shareholders. USAID, being an agency of the federal government of the US, may not be able to hold shares and will accordingly have to authorize persons resident either in the US or in India to hold shares.

Trust

General
- The Facility may be established as a trust in India for managing/regulating the use of funds received from the US entity.
- Trusts may be of two types, charitable trusts and private trusts.
- Charitable trusts must be established for a charitable purpose of general public utility, such as poverty alleviation, education, medical relief, etc. A charitable trust enjoys certain tax benefits under Indian tax laws and donors are entitled to tax exemptions.
- A private trust is, to the contrary, usually set up for specific beneficiaries such as relatives or friends and not for society at large and does not usually enjoy tax benefits.
- The management of a trust is vested with the board of trustees who can remain so for life and need not stand for election. Foreign nationals can be appointed as trustees, subject to their obtaining necessary clearance from the Ministry of Home Affairs, Government of India.

Advantages
- Under Indian law, certain tax exemptions are available for income derived from property held under trust for religious and charitable purposes, including income in the form of voluntary contributions made with a specific direction that they shall form part of the corpus of the trust.

Disadvantages
- A trust offers less flexibility in responding to changing requirements and in modifying the objects as laid down in the trust deed. Only the settlor of the trust can modify the objects of the trust laid down in the trust deed.
- At the time of registration of the trust under the Trusts Act, the Registrar will require foreign nationals who are trustees to obtain necessary clearance from the Ministry of Home Affairs of the Government of India. Further, if such nationals are absent from

India for a continuous period of six months, they will not be eligible to remain trustees.

- Tax exemptions may not be available to private trusts.
- The liability of trustees is not limited.

Society

General

- The Facility in India may be set up as a society, with at least seven members and will need to be administered by its governing council or board, appointed by the general body of members.
- For foreign nationals to be members of a society, specific permission of the Registrar of Joint-stock Companies will have to be obtained.
- To get tax exempt status for donors, the society has to obtain an exemption from Indian income tax authorities.

Advantages

- A society can undertake a wider range of activities than a trust, which must be set up for a specific purpose. The objects of a society can be modified more easily than those of a trust.
- Unlike in the case of a trust, a society has a distinct legal entity, independent of its members.
- It has limited liability and its members or executives are not personally liable to settle the society's dues.
- Indian tax laws provide for exemptions from taxation of society incomes (subject to certain conditions) provided incomes are applied to the society's objectives and procedural formalities.
- Members will be eligible to get a tax exemption on contributions made, provided the society obtains a tax exempt status.

Disadvantages

- A society cannot charge fees for services unless it is clearly shown that such activities will promote another object which is charitable or public.
- A society cannot distribute gains/profits.
- It is more difficult to amend the by laws of a society to change its objectives than it is to amend the by laws of a company.

Entity in the US

- Under Section 501 (c) 3 of the US Internal Revenue Code ("**IRS Code**"), a non profit corporation that is organised and operates exclusively for charitable, educational, or religious purposes is eligible for a tax exempt status and contributions are tax deductible for the donor.
  - A nonprofit corporation however, cannot issue shares and cannot pay dividends to its members. In addition, under the IRS Code, a tax-exempt corporation (such as a non profit corporation) cannot pay dividends and, upon dissolution, must distribute its remaining assets to another nonprofit group.
  - The ability of donors to get tax exemption for donations made to a Section 501 (c) 3 company, where the funds are ultimately used to fund activities of the Facility in India must be specifically reviewed by US legal counsel.

? Provide sufficient detail to ensure that the recommended financial operations of the Facility (e.g. fund raising, grant making, facilitating international transfers etc.) will be appropriate, reflect international lending practices and are in congruence with US and Indian law.

The financial operations of the Facility must comply with both US and Indian laws as well as internationally accepted accounting practices.

Funding

1. From USAID to Facility in India

- The Facility may receive funding from USAID for undertaking any social, economic or charitable project subject to obtaining necessary permission from the Ministry of Home Affairs of the Government of India under the Foreign Contribution Regulation Act, 1976 ("**FCRA**").

2. From US corporate entities and NRIs to Facility in India

- As mentioned above, specific permission under FCRA will have to be obtained by the Facility from the Ministry of Home Affairs for receiving funding in the form of grants from US corporate entities and NRIs.
- Tax exemptions to donors may not be available. Needs examination by US legal counsel.

3. From Indian entities to Facility in India

- Indian entities, including corporates will be able to provide funds to the Facility without requiring any prior permission from the Government of India.

4. From Facility to entity set up in the US

- The Facility will be able to fund an entity set up in the US subject to prevailing Indian exchange control laws and US C-Corp and S-Corp restrictions.

Grant making

- The Indian beneficiaries of grants made by the Facility from funds received from US entities (which will qualify as foreign contribution under the FCRA), including USAID, corporates and NRIs will have to comply with the provisions of the FCRA, including furnishing reports regarding the use of the funds.
- To ensure proper end use, adequate documentation should be executed between the Indian company and the Indian beneficiaries.

Transfers

- Transfer of funds from the Facility in India to the US for purposes of setting up the US entity will be subject to the Foreign Exchange Management Act, 1999 ("**FEMA**") provisions.

? Examine alternate ways of structuring the relationship between the Facility and USAID, and recommend and justify that deemed most appropriate.

In light of our discussion above on the various possible options for structuring the Facility in India, and given the objectives of USAID in setting up the Facility in India, we recommend that the Facility be incorporated as a **Section 25 Company** under the Companies Act. Such a company would have the following advantages over all the other structures discussed above:

Regular private limited company
- A Section 25 Company does not require share capital.
- It can seek a tax exempt status under Indian income tax laws.
- Donors may be able to get a tax break on contributions made to it under Indian income tax laws.

Trust
- A Section 25 Company can easily change its business objectives from time to time, unlike a trust, which is less flexible in adapting to changing business needs.
- A Section 25 Company may have non resident foreign nationals as directors on its board, unlike a trust where foreign nationals appointed to the board of trustees of a trust who are absent from India for a continuous period of six months, are not eligible to remain trustees.
- Liability of the promoters of a Section 25 Company is limited.

Society
- A Section 25 Company can charge fees for services rendered unlike a society, which cannot do so.
- A Section 25 Company is easier to manage and administer than a society, which is subject to more regulatory supervision.

The disadvantage that a Section 25 Company may suffer from is that it will not be able to distribute dividends to its members, unlike a private limited company. Any profits will have to be put back into meeting its objectives.

Further to discussions held between the legal team and USAID on February 2, 2003, the following response to clarification questions was prepared.

To facilitate a comparative analysis of some of the key aspects relating to the setting up of the Facility as a company as against a society, please see a summary of responses in the table below. As mentioned earlier, the comments contained in this memorandum are not exhaustive and all the observations in respect of US law issues must be reconfirmed with a US licensed attorney.

Table: Comparative analysis between a Company and a Society

S. No.	ISSUES ADDRESSED	FACILITY SET UP AS A COMPANY	FACILITY SET UP AS A SOCIETY
1.	**Permitted objects**	Can have a broad set of objects including promotion of commerce, art, science, religion, charity or any other useful object. Objects could be framed/amended so as to enable making of profit for distribution to members. However, in such a case: + the words "Private Limited" or "Limited" from the name cannot be dropped, i.e. benefit of section 25 of the Companies Act, 1956 ("**Companies Act**") cannot be availed; and + tax exemption as discussed below will not be available. USAID would have the flexibility to widen objects and enable a dynamic set of objects (though this may result in a loss of the benefits discussed above).	Can have only those objects specified in the Societies Registration Act, 1860 ("**Societies Act**") which include associating for literary, scientific, charitable purposes; for instruction, diffusion of useful knowledge, the diffusion of political education, foundation or maintenance of libraries, public museums, galleries for art and paintings, collections of natural history, mechanical and philosophical inventions, instruments or designs. The objects cannot include promotion of commerce or other unspecified useful objects (which are permitted to a company licensed under Section 25 of the Companies Act). USAID cannot, even if it is willing to lose tax benefits, widen the objects and enable a dynamic set of objects which are not permitted by the Societies Act.
2.	**Tax benefits under section 12 of the Income Tax Act, 1961 ("IT Act")**	Both company and society have to make an application to obtain such tax benefit and the Commissioner of Income Tax has to be satisfied on the genuineness of the objects and activities.	
		Available provided the company is established wholly for charitable or religious purposes. Charitable purpose is defined to include relief for the poor, education, medical relief and advancement of any other objects of general public utility.	Available provided the society is established wholly for charitable or religious purposes. Though the term 'charitable purpose' as defined in the IT Act enables a wider set of activities (by use of 'any other objects of general public utility'), a society cannot undertake the same due to limitations in the Societies Act.
3.	**Setting up the Facility**	A minimum of two shareholders (they could be resident in India or outside India) are required to set up the company.	A minimum of seven members (each founding member is required to have a proper residential address in India) are required to set up a society.
4.	**Control of members (shareholders)**	USAID may be required to ensure that the members nominated by it to hold shares in the company do not transfer the same. This can be achieved by: + getting the members to execute adequate undertakings and documentation against transfers; and + making adequate provisions in the company's bylaws	By laws of the society, at the time of registration, can have provisions to restrict transfer of membership rights by the members, i.e. provide for prior consent of USAID to any transfer. The bylaws can further provide that such provision providing for the above restriction cannot be modified or deleted without prior permission of USAID. Therefore, a society can provide for better control over members than a company.

S. No.	ISSUES ADDRESSED	FACILITY SET UP AS A COMPANY	FACILITY SET UP AS A SOCIETY
		in the company's bylaws. The risk is that if the bylaws are amended by the members (who have the right by law to do so) to remove such provisions meant to protect USAID against such transfers, the undertakings will become ineffective.	
5.	Liability issues	Liability of the members of both a company and a society can be limited through its bylaws.	
6.	Operations	Day to day operations are controlled by a board of directors, who may be separate from the members.	Day to day operations are controlled by the managing committee/officials designated in the bylaws.
7.	Ability to receive grants from outside India	Both companies and societies may receive donations from outside India, subject to the provisions of the Foreign Contribution Regulation Act, 1976 ("**FCRA**"), which includes a registration process by the recipient Facility.	
8.	Disbursement of grants by the Facility to entities in India	Both companies and societies may disburse grants to other Indian beneficiaries from donations received from outside India. However in accordance with the FCRA, the Facility will have to file reports of such onward grants with the Central Government. However, if the grant is made from a donation received from within India, provisions of the FCRA will not apply.	
9.	Any major liquidation/exit issues	Procedure could take a few months.	Upon dissolution of a society, all debts of the society have to be paid of. Excess assets cannot be distributed amongst the members but have to be given to some other society (three fifth's majority of members can identify such other society).
10.	Ability to set up a subsidiary company in the US	A company/ society can set up a company in the US provided it pays for the shares of the US company from its Resident Foreign Currency ("**RFC**") account. A company/society may open an RFC account out of foreign exchange received or acquired as gift (would include grants and donations) or inheritance from a person resident outside India, which would include USAID and corporates/NRI's based in the US. The US subsidiary company cannot be set up with funds received as donations from Indian donors.	
11.	Ability to fund the subsidiary in the US	Funds from the RFC account can be used by a company/society to fund the activities of the subsidiary in the US.	
12.	Ability to set up a branch office in the US	A company may open a branch office in the US with prior permission of the Reserve Bank of India ("**RBI**"). However, in certain cases there is a possibility that the license issued to the company under section 25 of the Companies Act, may impose a restriction on the	A society may also open a branch office in the US with the prior permission of the RBI.

S. No.	ISSUES ADDRESSED	FACILITY SET UP AS A COMPANY	FACILITY SET UP AS A SOCIETY
		company undertaking any activities outside India. In such a restriction is imposed in the section 25 license, the company will lose the benefit of Section 25 should it open a branch in the US.	
13.	**Ability to fund the branch in the US**	Funds from the RFC account can be used by a company/society to fund the activities of its branch in the US.	
14.	**Will such a branch/subsidiary in the US be entitled to Internal Revenue Code 501(c)(3) tax benefit?**	A subsidiary of an Indian company/society incorporated in the US will be a US corporation and may be entitled to obtain tax exempt status. The status that a branch office of an Indian company/society under US law is not clear and hence its ability to obtain tax exempt status will need to be verified with a US attorney.	

Entity in US setting up a branch office/subsidiary in India

Setting up the US entity
- USAID's ability to set up to set up a company or society or other legal entity in the US will have to be verified with a US attorney. This might include issues under the USAID charter.

- Further, the obligations to be met to obtain tax exemption under Section 501(c)(3) of the US IRS Code will need to be verified with a US attorney.

Setting up the Indian entity
- Implications/ability of a US Section 501(c)(3) US IRS Code to set up a subsidiary in India will need to be verified with a US attorney.

- Indian law implications are dealt with below.

Branch office
- The legal entity in the US (could be a US company/society, but not a trust) may set up a branch office in India.

- The branch office will not be able to receive any donations from USAID, other US based corporates/NRI's and Indian donors.

- The branch office cannot disburse grants to beneficiaries in India. This is true even if the donations are received by the parent entity in the US which funds the branch in India.

Subsidiary Indian company
- The US entity may set up a wholly owned subsidiary company in India.

- Such a subsidiary company may be incorporated as a private limited company with a minimum of two shareholders and obtain a license under section 25 of the Companies Act.

- Funds from the US entity can be brought into the Indian subsidiary either as equity (under the automatic rout) or as a loan subject to External Commercial Borrowing guidelines issued by the Government of India, or as donations subject to FCRA requirements.

- Such an Indian subsidiary can receive donations from US corporates and NRIs in accordance with the provisions of the FCRA.

- The Indian subsidiary can disburse grants to beneficiaries in India in accordance with the provisions of the FCRA.

- There is no restriction on such Indian subsidiary receiving donations from persons in India.

- The Indian subsidiary will require prior approval of the RBI to fund the activities of the US parent. However, at present, there is lack of clarity at the RBI end in respect of such a permission being granted.

Conclusion

In the event flexibility in objects is of greater concern to USAID than absolute foolproof control of the Facility in India, setting up the Facility as a company in India is recommended. Such a company should obtain a license under section 25 of the Companies act.

However, if absolute foolproof control of the Facility in India is of greater concern to USAID than flexibility in objects, then setting up the Facility as a society is recommended.

As a consequence of further discussions held with USAID on February 11, 2003, the legal team prepared the following response to clarification questions presented by USAID:

Question: Is the Facility in India under the obligation to ensure that recipients in India of grants made by it from funds received from outside India have prior approval of the Central Government to receive such funds?

Our response:
- Under the Foreign Contribution Regulation Act, 1976 ("**FCRA**"), a person must obtain prior permission from the Central Government before receiving any foreign contribution.
- Under section 23 of the FCRA, whoever assists any person in accepting any foreign contribution in contravention of the provisions of the FCRA is liable to be punished with imprisonment upto five years or with fine, or with both.
- Therefore, in light of section 23 of the FCRA, the Facility in India should ensure that it takes all necessary steps to verify whether the Indian recipients of its

grants have the necessary approvals from the Central Government to receive such funds.

Question: Does an Indian subsidiary company have the ability to use funds in a resident Foreign currency ("RFC") account to finance activities of US parent company?

Our response:
- An Indian subsidiary would require permission from the Reserve Bank of India ("**RBI**") to fund the activities of its US parent company from funds in rupee accounts other than RFC accounts.
- Regulation 5 (2) of the Foreign Exchange Management (Foreign Currency Accounts By A Person Resident in India) Regulations, 2000 permits the use of funds in an RFC account for investments in any form outside India without any restriction.
- Regulation 4 (a) of the Foreign Exchange Management (Transfer Or Issue Of Any Foreign Security) Regulations, 2000 permits a person resident in India to purchase foreign securities out of funds held in an RFC account.
- Therefore, in our view, a person resident in India, including a company and a society in India, can use funds in an RFC account for any investment outside India.
- However, from our discussions with various officials of the RBI, there appears to be a lack of clarity at the RBI end as to whether an Indian subsidiary company can fund the activities of its US parent entity. While some officials are of the view that prior approval of the RBI will not be required, others are of the view that such approval is required.
- Given the lack of clarity at the RBI end, a conservative approach may be to make an application to the RBI seeking specific approval for the Facility to fund the activities of its US parent company from funds in an RFC account.

Directors' Insurance
- Various insurance companies provide different insurance schemes for directors of a company. The usual exclusions to these insurance schemes are:

    1. Willful or intentional infringement of law.
    2. Criminal behavior.
    3. Libel, slander or other defamation.
    4. Fraudulent acts.
    5. Environmental damage or pollution.
    6. Bodily injury and property damage.
    7. Fines, penalties and other penal liabilities.

Question: What are the exemptions available under the Indian Income Tax Act, 1961 1961 ("IT ACT")?

Our response: There is no particular preference, both in law and in practice, accorded to a society over a company licensed under Section 25 of the Companies Act in seeking a registration under Section 12AA or exemptions under Sections 10 (23C) or 35AC of the IT Act.

Section 12AA

- An institution, including a company licensed under section 25 of the Companies Act or a society, may seek an exemption under the IT Act if it is involved in a "charitable purpose" as defined in the IT Act, which includes relief of the poor, education, medical relief and the advancement of any other object of general public utility.

- An application must be made to the Commissioner of Income Tax (within one year from the date of creation of the company) to get it registered under Section 12AA of the IT Act as a body being run for charitable purposes.

- Upon the Commissioner of Income Tax being satisfied that the institution is being run for charitable purposes, it will be registered and will be granted a tax exempt status.

Section 10 (23C)

- There are various institutions/funds that are eligible for exemption from income tax under Section 10 (23C) of the IT Act, such as the Prime Minister's National Relief Fund, the Prime Minister's Fund (Promotion of Folk Art), the Prime Minister's Aid to Students Fund, the National Foundation for Communal Harmony, etc.

- In addition to the above, any institution established for charitable purposes (such as the Facility) that is notified by the Central Government (Ministry of Finance) may seek an exemption from income tax under Section 10(23C)(iv) of the IT Act by making an application to the Director General (Income-tax Exemptions), who is the authority empowered to grant such exemption.

Section 35 AC

- An association or institution involved in a project or scheme for promoting the social and economic welfare of the public or for general upliftment of the public for three years or less, may seek approval from the National Committee (which is a committee constituted by the Central Government under the IT Act from amongst persons of eminence in public life) for grant of a tax exempt status.

- The project or scheme must be related to one or more of the following:

    1. construction and maintenance of drinking water projects in rural areas and in urban slums, installation of pump sets, digging of wells. Tube-wells and laying of pipes for supply of drinking water

    2. construction of dwelling units for the economically weaker sections;

    3. construction of school buildings primarily for children belonging to the economically weaker sections of society;

    4. establishment and running of non-conventional and renewable sources of energy systems;

5. construction and maintenance of bridges, public highways and other roads;

6. any other program for the uplift of the rural poor or the urban slum dwellers, as the National Committee may consider fit to support;

7. promotion of sports;

8. pollution control;

9. establishment and running of educational institutions in rural areas, exclusively for women and children upto twelve years of age;

10. establishment and running of crèches and schools for the children of workers employed in factories or at building sites;

11. establishment and running of hospitals and medical facilities in rural areas, exclusively for women and children upto twelve years of age;

12. encouraging the production of bacteria induced fertilizers;

13. any program that promotes road safety, prevention of accidents and traffic awareness;

14. construction of hostel accommodation for women or handicapped individuals or individuals who are at the age of sixty five years or more;

15. establishment and running of institutions for vocational education and training in rural areas and towns which consist of population of less than five lakhs.

- Such approval is usually granted for a period not exceeding three years at a time. Subsequent approvals, if required, for a further period, may be granted only if the National Committee is satisfied about the activities of the institution during the preceding period of approval.

Director / Governing Body Liability

Company - Liability of Directors

Under the Companies Act, the general powers of the management of the company's affairs are vested in the board of directors, except those powers which can be exercised only with the consent of the shareholders in the general meeting of the company. There are various duties and liabilities upon the board of directors. The board of directors has individual liabilities and collective powers.

General
Directors of a company are liable for offences/defaults committed by the company under various legislations. An indicative list of various legislations that

may be applicable to the Facility in India, under which the directors of the Facility may be liable for offences/defaults of the Facility, is provided below:

- *Employee State Insurance Act, 1948* - The managing director of a company, incharge of the affairs of the company, is liable to be prosecuted for any default committed by the company.

- *Employee Provident Fund and Miscellaneous Provisions Act, 1952* – The managing director of a company, if proved to be incharge of the affairs of the company, is liable to be prosecuted for any default committed by the company.

- *Minimum Wages Act, 1948* - The entire board of directors will be liable for prosecution for any default committed by the company.

- *Customs Act, 1962* – If a company commits an offence under the Customs Act, 1962 and if it is proved that the offence has been committed with the consent or connivance of a director or if it is attributable to any negligence on the part of any director, such director shall be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Liability under the Companies Act

The Companies Act contains various provisions under which a director of company may be personally held liable for acts and omissions specified in those provisions. An indicative list of such provisions is provided below:

- Section 147 (4) – An officer of a company or a person acting on his behalf who does certain acts or signs certain documents like promissory notes and does not mention the name of the company, can be held to be personally liable.

- Section 542 – Any person found guilty of conducting the business of a company fraudulently may be held personally liable for all or any of the debts or other liabilities of the company.

- Section 543 - Any director, past or present, of a company or any manager or officer of a company can be held personally liable for all the losses which have been caused to the company due to their fraudulent conduct or any misfeasance or any breach of duty or any breach of trust.

- Section 538 – Any past or present officer of a company can be imprisoned for a term of upto 5 years or fined or fined and imprisoned both for an offence committed in the course of liquidation of the company.

- Section 539 - Any officer of a company guilty of falsifying the books of account shall be punishable with imprisonment which may extend to seven years and shall also be liable to fine.

- Section 540 – Any officer of a company who induces any creditor to contribute to the company and subsequently gets the company wound up shall be liable to be fined and imprisoned for a term not exceeding two years.

In addition to the above, a company must comply with various statutory requirements prescribed under the Companies Act such as filing annual returns with the Registrar of Companies, etc. Failure to comply with this and other requirements under the Companies Act may result in the imposition of a fine on the company and every director or officer responsible for ensuring such compliance.

Liability of members of the governing body of a society

- The Societies Registration Act, 1860 does not specify the liability of the members of the governing body of a society and as mentioned above, the liability of the members of the governing body of a society may be limited through the by laws of the society.

- However, the members of the governing body of a society will remain liable for offences committed under other legislations like the Employees Provident Fund and Miscellaneous Provisions Act, 1952, the Employees State Insurance Act, 1948, the Customs Act, 1962, etc.

Procedure and Timelines for Incorporating A Company Under Section 25 of the Companies Act

1. **Application to Registrar of Companies ("ROC") for name availability**

   - Select, in order of preference, a few suitable names, not less than four (one of them being the main name), each of which bears a close relation to the main objects of the proposed Facility.

   - Apply to the ROC of the state in which the company is proposed to be incorporated in Form No. 1A (along with a fee) to ascertain the availability of names.

   - This application is normally processed within seven working days of receipt of application by the ROC.

2. **Drafting the memorandum and articles of the company**

   - Draft the memorandum and articles of association and have them reviewed by a solicitor/company secretary/chartered accountant.

   - Get the memorandum and articles of association reviewed by US legal counsel, particularly to ensure applicability of Section 501 (c) (3) of the IRS Code and USAID federal charter.

   - The drafting and review of the memorandum and articles of association can be completed before filing the application for name availability with the ROC.

3. **Application to Regional Director for issue of license**

- Immediately upon receipt of ROC approval for the name of the company, file an application to the Regional Director for issue of license under Section 25 of the Companies Act for the company to be incorporated as a company without the addition to its name of the word "limited" or "private limited" accompanied with the relevant documents.

4. **Forwarding copy of application to the ROC**

- Simultaneous with filing the application with the Regional Director, forward a copy of the application to the ROC along with the relevant documents. On receipt of such application, the ROC shall scrutinize the documents to ensure that they are in conformity with the provisions of the Companies Act.

- The ROC, after scrutinizing the documents, shall forward his report to the Regional Director, with any changes or modifications, if any, to the memorandum and articles of association within thirty days of receipt of the application.

5. **Publication of notice**

- Within a week of making the application to the Regional Director, publish a notice inviting objections from the public in the prescribed form in at least one newspaper in a principal language of the district in which the registered office of the company is to be or is located and at least once in an English newspaper circulating in that district.

6. **Forwarding copy of notice to Regional Director**

- Immediately on publication of the notice, forward a certified copy of the published notice to the Regional Director.

7. **Issue of License by Regional Director**

- The Regional Director, on being satisfied, will then issue the license and stipulate certain conditions governing the license.

- While the Regional Director is required to issue the license within 30 days from the date of filing the application, in practice, the process could take upto six months if additional information/documents are required to be provided.

8. **Certificate of Incorporation by Registrar**

- File a copy of the license issued by the Regional Director with the ROC accompanied by the necessary registration and filing fees.

- The certificate of incorporation of the company is then issued by the company usually within seven days.

9.   **Total time for incorporation**

- It could take upto seven months to incorporate a company licensed under Section 25 of the Companies Act.

Based on a search of non profit websites in the US, the DAI design team obtained the following information concerning the creation of a non profit corporation in the United States.

- Under Section 501 (c) 3 of the US Internal Revenue Code ("**IRS Code**"), a non profit corporation that is organized and operates exclusively for charitable, educational, or religious purposes is eligible for tax exempt status and contributions are tax deductible for the donor.

    - A non profit corporation however, cannot issue shares and cannot pay dividends to its members. In addition, under the IRS Code, a tax-exempt corporation (such as a non profit corporation) cannot pay dividends and, upon dissolution, must distribute its remaining assets to another non profit group.

    - The ability of donors to obtain tax exemption for donations made to a Section 501 (3) (c) company must be specifically reviewed by US legal counsel.   A general description of Section 501 (3) (c) follows:

- In order to obtain federal tax exempt 501 (3) (c) status in the US, the Facility will have to file an application for exemption of Form 1023 showing that it meets the following tests:

    1. It must be organized and operated exclusively for charitable, scientific or educational purposes;
    2. Its net income must not be used, in whole or in part, to the benefit of private shareholders or individuals;
    3. It must not as any substantial part of its activities attempt to influence legislation by propaganda or lobbying activities.

The US Internal Revenue Service uses two tests to determine whether to grant an organization Federal tax exempt Status:

    1. Organizational Test: This test requires that the articles of organization (e.g., corporate charter) contain the following provisions:

        a. that the organization is being formed for a charitable, scientific, or literary purpose;
        b. that the organization's assets must be dedicated to the above identified purpose(s);
        c. that upon dissolution of the organization, its assets will be distributed to another organization that is exempt under Code 501(3)(c) or to the US Government (federal, state, or local) for public purposes. Under no circumstances may the organization's assets be distributed to the shareholders.

2. Operational Test: This test requires that a 501(3)(c) organization be operated "exclusively for" the prescribed exempt purposes. It will not be regarded as exempt if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

    a. Payments necessary to perform exempt functions, such as administrative expenses are exempt unless the amount is unreasonable.

    b. All salaries paid to individuals of the organization must be reasonable relative to the type of services such individuals provide to the organization.

Given the legal and regulatory complexities associated with establishing the Facility as a bi-national entity in both the US and India, the design team recommends that the Facility's documents of incorporation (charter) be subjected to the scrutiny of the following legal reviews:

1. Indian legal counsel with expertise in Indian corporate law;

2. Indian legal counsel with expertise in tax law, especially tax law that pertains to nonprofit corporations and charitable giving;

3. US legal counsel with expertise in setting up Section 501(3)(c) nonprofit corporations to ensure that the charter will qualify the Facility for US tax exempt status; and

4. USAID General Counsel to ensure that the charter will permit the Facility to receive USAID funds through the cooperative agreement mechanism or in the form of an endowment.

? *Include an organizational chart and a brief description of the most critical positions.*

The Facility should be structured to plan, manage and carryout the functions described in Chapter 7, Functional Analysis. Since, to our knowledge, the concept of an organization with the specific purpose of fostering partnerships to work on development problems has never been tried before, the organization's mandate, at least in the formative years, should be broad and flexible enough to support experimentation. The Facility should mature and build on both its failures and successes.

The Board of Directors: Such a broad-based organization should in principle have a Board that is made up of respected figures representing a broad range of specialties within the development business. The Board members also should represent a range of skills so that it can provide strategic advice and direction to the fledgling organization as it seeks to experiment and explore new areas of partnership building. Linkages with prospective clients and/or donor organizations and individuals will also be important.

We recommend a gender balanced board of ten members with approximately equal representation from both India and the US. The Chairperson of the Board should rotate between an Indian and American. With regard to governmental representation, with the exception of USAID participation during the first 3 years, the Board should assiduously avoid *ex officio* positions. At the same time it would be appropriate and desirable for the

Board to include individuals with prior or current government experience. During the first 3 years of operation, it is recommended that a USAID representative sit on the Board in order to insure full and open communication with the Mission and to provide the level of oversight appropriate in a start-up situation of this sort.

The design team recommends that the rules of the board include the following precepts:

a. The tenure of both the Board members and the Chairperson should be long enough for them to maintain a certain amount of continuity while bringing in change. This period could be for three years. Given the fact that it would be essential that continuity is maintained, half the members of the Board should relinquish office at the end of their term of three years and the remaining half one year later, i.e at the end of four years. The tenure of board members, after completion of the first cycle, should be limited to two terms.

b. A team-building retreat should be held for the newly constituted Board early in year two, i.e., as soon as possible following the creation of the Facility and the formation of the Board. Retreats should be held annually in India in conjunction with the semi-annual meeting of the Board.

c. The Board should meet once in six months with the period between two meetings not exceeding six months.

d. Its role should be approving annual budgets, annual action plans, and giving strategic direction and guidance to the Facility.

e. It is anticipated that the Facility will gain gradual autonomy and be independent of USAID oversight beginning in the 4th year of operations. Aside from a gradually declining level of reporting to USAID, the Facility should ultimately operate on the principle of full and complete independence. This is particularly important if the Facility is to transpose into a Legacy entity and if that ultimate initiative is to be adequately tested.

Chief Executive Officer: Finding a solid, experienced CEO is extremely important. The CEO should be a senior manager with a minimum of 20 years of development experience. We recommend that priority be given to an individual with a managerial background and advanced training in management and organizational development. Foundation experience, prior working experience with a board of directors and work with an Indian and/or American nonprofit organization would be highly desirable. A background in fund raising and marketing would be a valuable additional asset.

It is important that the CEO of the organization have the skills to run and chart a course for the organization without undue interference from the Board. Efficiency and ability to take rapid decisions that lead to measurable outputs should define the management style of the organization, and the CEO.

Senior Manager, Partnership Management and Marketing (US): The (US-based) Senior Manager, Partnership Management and Marketing, should have a minimum of 10 years of development experience. Because this individual will be located in the United States and responsible for outreach and marketing to US-based groups, he/she should have a background in marketing and fund-raising. In addition, this individual should have high level presentational skills and a technical background in at least one of the areas of Facility priority.

Partnership Management and Capacity Building Specialist: This individual should have a background in organizational development and prior experience in the management of a partnership relation. Additionally, this individual should have demonstrated competence in management training. Publications and studies dealing with organizational relations in the commercial and non profit sector would be valuable indicators of competence. Prior development experience would be a positive additional asset.

The organizational chart below provides a description of the structure of the proposed Facility:

Chairman US / Indian representative, alternatively

Board Members

Indian Representatives (5) from
- Financial Institutions
- Indian NGOs
- Corporate
- Research
- Academic

U.S Representatives (5) from
- Financial Institutions
- US NGOs
- Corporate
- Research
- Academic

Special Invitee
- USAID/USG Representative
- GOI Representative

CEO

| External Communication & Marketing Specialist | Information Technology Specialist | Research & Development Specialist | Partnership Management & Capacity Building Specialist | Grants Management Specialist | Fundraising Specialist | - Office Manager
- Accountant
- Secretary |

Legal and Organizational Analysis Summary

This analysis examined Indian and US laws that pertain to the creation and functioning of the Facility and provides a recommendation for alternate legal and organizational structures through which it can be established. The following options were considered for establishing the Facility in India:

- Company set up under Section 25 of the (Indian) Companies Act, 1956 ("Companies Act");
- Regular private limited company;
- Trust;
- Society.

In addition, the implications of setting up the entity in the US as a nonprofit corporation were examined.

It is recommended that the Facility be incorporated as a Section 25 Company under the Companies Act. Such a company would have the following advantages over the other structures discussed above:

1. It can seek tax exempt status under Indian income tax laws;
2. Donors may be able to get a tax break on contributions made to it under Indian income tax laws;
3. A Section 25 Company can easily change its business objectives from time to time, unlike a trust, which is less flexible in adapting to changing business needs;
4. A Section 25 Company may have non resident foreign nationals as directors on its board, unlike a trust where foreign nationals appointed to the board of trustees of a trust who are absent from India for a continuous period of six months, are not eligible to remain trustees;
5. Liability of the promoters of a Section 25 Company is limited;
6. A Section 25 Company can charge fees for services rendered unlike a society, which cannot do so;
7. A Section 25 Company is easier to manage and administer than a society, which is subject to more regulatory supervision.

The legal analysis explored whether the Facility in India is obliged to ensure that recipients in India of grants made by it from funds received from outside India have prior approval of the central government to receive such funds. It concluded that, in light of Section 23 of the FCRA, the Facility in India should ensure that it takes all necessary steps to verify that the Indian recipients of its grants have the necessary approvals from the central government to receive such funds.

The legal analysis also examined whether an Indian subsidiary company could use funds in a resident foreign currency account (RFC account) to finance its activities in the US. It concluded that a person resident in India, including a company and a society in India, can use funds in an RFC account for any investment outside India. However, based on its discussions with various officials of the RBI, the legal team believes there is a lack of clarity at the RBI regarding whether an Indian subsidiary company can fund the activities of its US parent entity. While some officials are of the view that prior approval of the RBI will not be required, others are of the view that such approval is required.

Given the lack of clarity at the RBI, a conservative approach is recommended that involves making an application to the RBI seeking specific approval for the Facility to fund the activities of its US parent company from funds in an RFC account.

Under Section 501 (c) 3 of the US Internal Revenue Code ("IRS Code"), the Facility could set up a nonprofit corporation in the US. The nonprofit entity in the US, if it is organized and operated exclusively for charitable, educational, or religious purposes, would be eligible for tax exempt status and contributions would be tax deductible for the donor. In order to obtain federal tax exempt 501 (3) (c) status in the US, the Facility will have to file an application for exemption of Form 1023 showing that it meets the following tests:

1. It must be organized and operated exclusively for charitable, scientific or educational purposes;
2. Its net income must not be used, in whole or in part, to the benefit of private shareholders or individuals;
3. It must not as any substantial part of its activities attempt to influence legislation by propaganda or lobbying activities.

Given the legal and regulatory complexities associated with establishing the Facility as a binational entity in both the US and India, the design team recommends that the Facility's documents of incorporation (charter) be subjected to the scrutiny of the following legal reviews:

1. Indian legal counsel with expertise in Indian corporate law;
2. Indian legal counsel with expertise in tax law, especially tax law that pertains to nonprofit corporations and charitable giving;
3. US legal counsel with expertise in setting up Section 501(3)(c) nonprofit corporations to ensure that the charter will qualify the Facility for US tax exempt status;
4. USAID General Counsel to ensure that the charter will permit the Facility to receive USAID funds through the cooperative agreement mechanism or in the form of an endowment.

Finally, the analysis presents an organizational chart that illustrates the structure of the organization. It presents guidelines for consideration in electing Board Members. We recommend a gender balanced board of ten members with approximately equal representation from both India and the US. The Chairperson of the Board should rotate between an Indian and American. With regard to governmental representation, with the exception of USAID participation during the first 3 years, the Board should assiduously avoid *ex officio* positions. At the same time it would be appropriate and desirable for the Board to include individuals with prior or current government experience. During the first 3 years of operation, it is recommended that a USAID representative sit on the Board in order to insure full and open communication with the Mission and to provide the level of oversight appropriate in a start-up situation of this sort.

— **Chapter 7** —

FUNCTIONAL, PROGRAM AND FINANCIAL OPERATIONS ANALYSIS

? Justify the recommended functions based upon the findings of the sector, constraints, participation, gender and lessons learned analysis. Also, *describe the program operations the Facility will undertake to fulfill each of these recommended functions.*

Based on the sector, constraints, participation, gender and lessons learned analyses, the following principles were identified for application in guiding the identification of functions for the Facility:

1. Cost efficiency, (low overhead to program ratio);
2. Entities both in the US and in India should benefit from program interventions (i.e. benefits should not flow entirely one-way);
3. The Facility should be highly visible in India and the US;
4. Facility-supported partnerships should be focused on developing an innovative approach to an intractable Indian development problem;
5. Program decisions should be independent of the US and Indian Governments;
6. Planning should take place presently for launching private fund raising campaigns starting in year four;
7. Gender equality should be mainstreamed into the Facility's program activities. The assignment of board and staff members for the Facility should be gender balanced to the extent possible.

The previous analyses point to the following institutional functions for the proposed Facility. The proposed functions link directly to the constraints identified in the Constraints Analysis and are designed to improve the functioning of the marketplace for partnership formation.

1) **Building institutional data bases and information dissemination**:

An identified constraint to partnership formation and building is the lack of easy access to information on potential partner organizations in the US and India. Thus, a proposed function of the Facility is the building of an institutional data base and the creation of systems for information dissemination. This function would include the following elements:

- Construct knowledge data bases;
- Content creation and content management on American and Indian organizations that are or might prospectively work together in alliance relationships on Indian development problems;
- Website development including electronic newsletters;
- Public presentations;
- Workshops on partnership formation;
- Information technology support to other operating program units of the Facility.

2) **Strategic planning, research and development:**

The Facility must have the capacity to conduct studies and analyses related to areas of potential collaboration if it is to be at the cutting edge in promoting developmentally relevant partnerships. This function would include the following elements:

- Institutional program planning and priority-setting;
- Conducting studies to identify areas of potential collaboration;
- Assist the Facility better target scarce resources in high pay-off areas;
- Identify key institutions both in the US and in India engaged in research in selected focus areas;
- Match-making between Indian and US institutions in areas of applied research;
- Foster exchange programs between Indian and US scientists; and
- Content creation from public domain research databases.

3) **Partnership management and capacity building**:

The Constraints Analysis notes that there is a perception in the US that the complex network of Indian regulatory requirements makes doing business in India costly and time consuming. Thus, a function of the Facility would address this constraint by providing information on how to deal with Indian rules and regulations. This function would include the following tasks:

- Provide information and guidance to US organizations on how to work with the official Indian bureaucracy, including information on Indian Government policies and regulations concerning financial relationships between Indian and foreign entities;
- Serve as counselor to foreign organizations that wish to engage Indian legal and accounting services;
- Provide technical assistance to potential partnering entities on the formation, management, and sustainability of partnerships, including preparation of partnership formation manuals, pro-forma partnership agreements, and hands-on advisory services;
- Provide capacity building assistance to partner agencies as needed;
- Search for and attempt to cultivate partner relations in the Facility's designated areas of priority activity.

4) External communication and marketing:

The purpose of this function is to put the Facility on the map, i.e., to publicize and make known the services it offers as well as its program successes. This function will be vital to the successful launch of the Facility as well as its ability over time to raise money from non US Government sources to ensure its financial viability.

- Market the Facility's programs and services through Board outreach and event management;
- Case study documentation and dissemination through conference participation, and publication of articles;
- Program advertisements;
- Creative use of an institutional website;
- Profile partnership success stories;

- Organize expositions both in India and the US;
- Conduct press conferences;
- In year four, launch a program to generate over time non-US Government financial support.

5) **Grants program:**

This function addresses the lack of resources, especially among smaller NGOs, to cover partnership exploration and development costs (e.g., face-to-face interviews and interpersonal information exchanges).

- Support a project that will test the viability of a working relationship;
- Support an experimental approach or new methodology proposed by a new partnership;
- Help two organizations develop an innovative model, technology or methodology;
- Assist one prospective member of a partnership work with a counterpart to adapt a technology or approach to the Indian context;
- Enhance organizational capacity (capacity building) to better manage a partnership relationship;
- Provide fund raising support to help partnerships identify and obtain additional financial resources;
- Financial support for partnership matchmaking and building in the form of facilitative grants for travel, conference participation, communications and other partnership development and start up costs.

?The analysis will provide sufficient detail to ensure such operations are consonant with US and Indian law as well as internationally accepted accounting practices.

The response to this task is contained in Chapter Six - Legal and Organizational Analysis.

?The analysis will include a cost estimate and financial plan which will provide a reasonably firm estimate of the cost of this activity to the US Government and estimate the amount and function of counterpart financing.

We present below a cost estimate for the Facility projected over a ten year period. The budget notes below provide a detailed explanation of the core assumptions underlying the estimate.

COST ESTIMATE FOR FACILITY										
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
INDIA OFFICE										
Contract with management consulting firm for Facility set-up	$1,000,000									
LABOR										
Position / Classification										
Professional Staff										
Chief Executive Officer		$125,000	$131,250	$137,813	$144,703	$151,938	$159,535	$167,512	$175,888	$184,682
Partnership Management and Capacity Building Specialist		$60,000	$63,000	$66,150	$69,458	$72,930	$76,577	$80,406	$84,426	$88,647
Grants Management Specialist (1)		$40,000	$42,000	$44,100	$46,305	$48,620	$51,051	$53,604	$56,284	$59,098
Grants Management Specialist (2)				$43,264	$45,427	$47,699	$50,083	$52,588	$55,217	$57,978
External Communications/Marketing Specialist		$60,000	$63,000	$66,150	$69,458	$72,930	$76,577	$80,406	$84,426	$88,647
Research and Development Specialist		$60,000	$63,000	$66,150	$69,458	$72,930	$76,577	$80,406	$84,426	$88,647
Information Technology Specialist		$60,000	$63,000	$66,150	$69,458	$72,930	$76,577	$80,406	$84,426	$88,647
Fund Raising Specialist				$60,000	$63,000	$66,150	$69,458	$72,930	$76,577	$80,406
Administrative Staff										
Office Manager		$25,000	$26,250	$27,563	$28,941	$30,388	$31,907	$33,502	$35,178	$36,936
Accountant		$18,000	$18,900	$19,845	$20,837	$21,879	$22,973	$24,122	$25,328	$26,594
Secretary		$16,000	$16,800	$17,640	$18,522	$19,448	$20,421	$21,442	$22,514	$23,639
TOTAL COST - LABOR (INDIA OFFICE)		$464,000	$487,200	$614,824	$645,565	$677,843	$711,736	$747,322	$784,689	$823,923
OTHER DIRECT COSTS										
Board Costs										
Board Meetings (2 per year)		$92,000	$92,000	$92,000	$92,000	$92,000	$92,000	$92,000	$92,000	$92,000
Travel										
International Travel for (India-based) Facility Staff		$33,000	$33,000	$33,000	$33,000	$33,000	$33,000	$33,000	$33,000	$33,000
Domestic Travel for (India-based) Facility Staff		$137,200	$137,200	$152,800	$152,800	$152,800	$152,800	$152,800	$152,800	$152,800
Office - Operational Costs										
Office rental		$37,500	$37,500	$37,500	$37,500	$37,500	$37,500	$37,500	$37,500	$37,500
Power and water charges		$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500
Telephone and communication charges		$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000
Stationery and postage		$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Other miscellaneous (contingencies, refreshments etc.)		$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Vehicle capital cost		$25,000								
Vehicle maintenance cost		$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500
Housekeeping and security		$1,875	$1,875	$1,875	$1,875	$1,875	$1,875	$1,875	$1,875	$1,875
Management Information Systems										
Computer hardware and software procurement costs, including purchase of licenses for specialized software		$200,000		$3,500		$50,000				
Computer maintenance cost		$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Network installation and maintenance costs		$1,000	$500	$500	$500	$500	$500	$500	$500	$500
Purchase of printers, fax machine, photocopy machines		$8,000								
Outsourcing / Subcontracting Costs by Function Areas										
Capacity Building		$72,000	$72,000	$72,000	$72,000	$72,000	$72,000	$72,000	$72,000	$72,000
Grants Management		$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000
External Communications / Marketing		$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
Research and Development		$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
Management Information Systems Development		$820,000								
TOTAL - OTHER DIRECT COSTS (INDIA OFFICE)		$1,574,575	$521,075	$540,175	$536,675	$586,675	$536,675	$536,675	$536,675	$536,675
Grants Program		$150,000	$600,000	$1,500,000	$2,500,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000
US OFFICE										
LABOR										
Position / Classification										
Professional Staff										
Senior Manager, Partnership Management and Marketing		$95,000	$99,750	$104,738	$109,974	$115,473	$121,247	$127,309	$133,675	$140,358
Partnership Management and Marketing Associate			$75,000	$78,750	$82,688	$86,822	$91,163	$95,721	$100,507	$105,533
Project Associate (General)		$55,000	$57,750	$60,638	$63,669	$66,853	$70,195	$73,705	$77,391	$81,260
Fund Raising Specialist				$80,000	$84,000	$88,200	$92,610	$97,241	$102,103	$107,208
TOTAL COST - LABOR (US OFFICE)		$150,000	$244,125	$340,331	$357,348	$375,215	$393,976	$413,675	$434,358	$456,076
OTHER DIRECT COSTS										
Travel										
International Travel for (US-based) Facility Staff		$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
Domestic Travel for (US-based) Facility Staff		$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000
Office - Operational Costs										
Office rent		$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000
Telephone and communication charges		$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000	$12,000
Stationery and postage		$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Other miscellaeous		$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Local transportation		$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Computer hardware & software, incl. comm. equipment		$46,000		$3,500						
Computer maintenance		$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Outsourcing / Subcontracting Costs										
Marketing and event management costs		$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000
TOTAL OTHER DIRECT COSTS (US OFFICE)		$251,000	$205,000	$208,500	$205,000	$205,000	$205,000	$205,000	$205,000	$205,000
TOTAL FACILITY COSTS	$1,000,000	$2,589,575	$2,057,400	$3,203,830	$4,244,588	$4,844,734	$4,847,387	$4,902,672	$4,960,722	$5,021,674
GRAND TOTAL (INFLATION ADJUSTED) FACILITY COSTS	$1,000,000	$2,589,575	$2,139,696	$3,331,983	$4,414,372	$5,038,523	$5,041,282	$5,098,779	$5,159,151	$5,222,541

Budget Narrative

This budget narrative provides a discussion of the core elements of the cost estimate for the Facility.

In year 1, a management consulting firm will be responsible for designing, structuring, and establishment of the Facility. The cost of this contract is estimated to be $1,000,000, assuming the employment of a firm/consortium of firms that provides 3 professional staff (1 US, 2 Indian) members for one year.

A core principle underlying the budget relates to the fact that the Facility needs to be structured as an efficient organization with low administrative costs. Therefore, to the extent possible, functions will be outsourced to specialist firms in the areas of information technology/database development, partnership management and capacity building, grants management, and external communications/marketing. Outsourcing costs in each of these programmatic areas have been disaggregated.

Further, Facility costs have been disaggregated for India and US operations.

Professional and administrative staff salaries have been increased each year assuming a **5%** increase in salary.

Inflation costs have been factored in, assuming a 4% rate of increase each year.

1) CEO Salary: We have budgeted the CEO's salary at $125,000, which, in our opinion, represents a competitive salary that will serve to attract and retain a senior-level candidate (i.e. with more than 20 years of experience). This salary includes the following components:

   ➢ Base salary;
   ➢ Fringe benefits, including:
     ?House rent allowance;
     ?Superannuation / gratuity;
     ?Provident fund;
     ?Leave travel allowance (Annual leave);
     ?Health insurance;
     ?Local travel allowance;
     ?Economic value added (i.e. bonus).

2) Salaries for TA and Partnership Management Specialist, Grants Specialist, External Communications Specialist, Research and Development Specialist, Office Manager, Accountant and Secretary have also been estimated at competitive rates in an effort to attract and retain the highest quality personnel who remain committed to the organization for a length of time.

   Each of the stated figures represent a consolidated salary, including base and fringe benefits, the elements of which are described in 1).

   Finally, a salary for the fundraiser has been estimated at $60,000 starting in year 4, after the organization has established a track record.

3) **Board Meeting:** A board meeting will take place twice every year in India. Each meeting has been estimated to cost $46,000. This figure includes the following components:

   US Board Members: 5 round trip airline tickets (US-India-US, business class) @ $6,000 per ticket, per diem for 5 days each (2 days retreat, 3 days travel) @ $260, and other miscellaneous costs, including visas, inoculations, local transportation for board members, retreat facility costs, etc.
   Indian Board Members: 5 round trip airline tickets (domestic, within India, business class) @ $300 per ticket, per diem for 4 days each (2 days retreat, 2 days travel) @ $260, and other miscellaneous costs including local transportation.

4) **A. International Travel Costs for Facility Staff in India:**
   International travel has been estimated at $33,000 / year. The assumptions underlying this are as follows:

   ➢ CEO: 4 trips / year (India – US – India) * $3,000 = $12,000
   ➢ Partnership Management Specialist: 1 trip / year (India-US-India)*3000=$3000
   ➢ External Communications Specialist: 2 trips/year (India–US–India)* $3000 = $6000

   In addition, local transportation in the US, visa charges, as well as per diem has been factored in for these trips, assuming each trip is for approximately 7 days (including travel time) at an average per diem (in the US) of $200.

   B. Domestic Travel Costs for Facility Staff in India: Travel for Indian staff has been estimated at $137,200 / year. The assumptions underlying this are as follows:

   ➢ CEO: 20 trips / year * $300 = $6,000
   ➢ Partnership Management Specialist: 20 trips / year * $300 = $6,000
   ➢ Grants Management Specialist (1):   12 trips / year * $300 = $3,600
   ➢ External Communications Specialist: 12 trips / year * $300 = $3,600
   ➢ Research and Development Specialist: 12 trips / year *$300 = $3,600
   ➢ Information Technology Specialist: 6 trips / year * $300 = $1,800
   ➢ Total domestic travel costs= $24,600

Local transportation costs while on travel have been estimated at $500 per month.

Perdiem has been estimated at 82 trips @ 5 days/trip = 410 days * $260/day perdiem = $106,600.

As the grant program increases in scale, the budget allows for the recruitment of a second grants management specialist. Travel costs for the Grants Management Specialist (2) have been budgeted as follows:

   ➢ Grants Management Specialist (2):   12 trips / year * $300 = $3,600

Perdiem has been estimated at 12 trips @ 5 days/trip= 60 days* $260/day perdiem = $15,600.

Therefore, from year 4 onwards, total domestic travel costs for Facility staff in India has been budgeted at: $152,800.

5) Office Operational Costs

A. Office rent: This has been estimated at $37,500 / year, which is the advertised price for a premium office rental space in Delhi.

B. Power and water charges have been estimated at 20% of the rent, i.e. $7,500 per year.

C. Telephone and communication charges have been estimated at $1,000 per month or $12,000 per year.

D. Stationery and Postage has been estimated estimate to cost a lumpsum of $2000 per year.

E. Other miscellaneous costs, including contingencies and refreshments, are estimated to cost $2,000 per year.

F. Vehicle – Capital cost: This has been estimated at $25,000, which is the advertised price for a premium quality car in India.

G. Vehicle maintenance cost has been estimated at $2,500 per year, or 10% of the price of the car.

H. Housekeeping and security costs have been estimated at $1,875 per year, assuming the recruitment of one guard for 8 hours each day.

I. Computer hardware and software has been estimated at $200,000 initially, and $50,000 in year six for purposes of upgrading the systems. The estimate of $200,000 is based on the following assumptions:

Purchase of 10 lap top computers = $3,500 each = $35,000
License fees (a separate license is required for each workstation) of Oracle Enterprise (database), ArcView 8.2 (GIS) licenses, Microsoft office licenses = 165,000

In year 4, (when the second grants management specialist is hired), $3,500 has been budgeted for the purchase of a laptop computer.

In year 6, systems upgrading costs have been included at $50,000.

J. Computer maintenance costs have been estimated at $1000 per year.

K. Network installation and maintenance: Network installation has been estimated at $500 initially. Thereafter, network maintenance costs have been estimated at $500 a year.

L. Equipment costs for purchase of a photocopier, fax machine and printer has been estimated at $8,000 in year 2 only.

6) Outsourcing / Subcontracting costs by program area:

A. Capacity Building: Capacity building assistance, including the identification of TA needs for partner organizations, as well as the provision of specialized capacity building assistance to selected partners, has been estimated at $72,000 per year. This figure assumes an LOE of 6 months (spread over a year), @ $6,000 per month (this rate includes overhead and fees charged by the subcontracting firm), for the services of 2 capacity building specialists.

B. Grants Management: Grants management, including conducting due diligence on prospective grantees through field visits, providing evaluations of grant proposals, and providing assistance in structuring grant agreements, is estimated to cost the Facility $30,000 per year. This assumes an LOE of 3 months (spread over a year) @ $5,000 per month (this rate includes overhead and fees charged by the subcontracting firm), for the services of 2 grants management specialists.

C. External Communications / Marketing: External Communications, including the preparation and distribution of partnership materials, media management, event management etc., has been estimated to cost the Facility $50,000. This figure assumes an LOE of 3 months (spread over a year), @ $5,000 per month (this rate includes overhead and fees charged by the subcontracting firm), for the services of 2 marketing specialists. Also, this figure includes the costs of setting up events, and the creation and distribution of marketing materials.

D. Research and Development: Research and development, including the identification of focus areas and sector needs, and the creation, management and updating of these identified needs, is estimated to cost the Facility $ 40,000. This figure assumes and LOE of 3 months (spread over a year), @ $5,000 per month (this rate includes overhead and fees charged by the subcontracting firm), for the services of 2 research specialists. Also, this figure includes the management of the content that is periodically updated on the Facility website and internal database.

E. Information Technology: This has been estimated in year two to cost the Facility $820,000. Of this figure, $700,000 has been estimated for the design, construction and implementation of the partnership database, including training support (assuming 300 person months of software and domain expertise), and $120,000 is estaimted for the cost of creating content (assuming an LOE of 6 months for 4 specialists at $5,000/month).

7) Grants Program: Grants will be disbursed starting in year two. The grants figure estimates a significant increase over the years as the Facility gains momentum and increases in scope.

8) US Office Costs:

Senior Partnership Management and Marketing Specialist: We have budgeted the Senior Manager's salary in the US office to be $95,000. *This figure includes fringe benefits, including health insurance, annual leave etc.*

In addition, we have budgeted the deputy **Partnership Management and Marketing Specialist** at $75,000, starting in year three as the organization grows in scale and scope. *This figure includes fringe benefits, including health insurance, annual leave etc.*

The salary of the **Project Associate** has been budgeted at $55,000. *This figure includes benefits, including health insurance, annual leave, etc.*

Finally, a salary for the **Fundraiser** has been estimated at $80,000 starting in year 4, after the organization has established a track record.

9) **A. International Travel Costs for Facility Staff in the US:**
International travel has been estimated at $40,000 per year. The assumptions underlying this are as follows:

- Senior Manager, Partnership Management and Marketing: 4 trips / year (US–India-US) * $3,000 = $12,000
- Partnership Management and Marketing Associate: 3 trips / year (US–India-US) * $3,000 = $9,000
- US Project Associate: 1 trip / year (US-India-US) * $3000 = $3000

In addition, visa charges, as well as per diem has been factored in for these trips, assuming each trip is 7 days (including travel time) at an average per diem of $260.

B. Domestic Travel Costs for Facility Staff in US:
Travel within the US has been estimated at $35,000 per year. The assumptions underlying this are as follows:

- Senior Manager, Partnership Management and Marketing: 10 trips / year * $1,000 = $10,000
- Partnership Management and Marketing Associate: 6 trips / year * $1,000 = $6,000
- US Project Associate: 3 trip / year * $1000 = $3000

In addition, local transportation and per diem has been factored in for these trips, assuming each trip is 4 days (including travel time) at an average per diem of $200.

10) **Office Operational Costs**

A. Office rent has been estimated at $5,000 per month in the US.

B. Telephone and stationery has been estimated to cost $12,000 per year.

C. Stationery and postage is estimated to cost $6,000.

D. Other miscellaneous charges, to cover office contingencies, is estimated at $6,000 per year.

E. Local transportation (taxi etc.) has been estimated at $10,000 a year.

F. Computer hardware and software, including communications equipment:
These charges have been estimated at $46,000. This includes the purchase of a
photocopy machine, a fax machine, licenses (Oracle, Arcview) for each of the
workstations, as well as the purchase of 3 laptop computers, each estimated to cost
$3,500 each.

In year 4, $3,500 has been budgeted for the purchase of an additional laptop
computer for the fundraising specialist.

G. Equipment maintenance has been estimated at $6,000 per year.

11. Outsourcing costs for event management in the US have been estimated at
$30,000 per year.

The total projected cost over a ten year time frame is **$39,035,902 million.**

Functional, Program, and Financial Operations Analysis Summary

This analysis recommends that the Facility should focus on the following functions:

1. **Build institutional data bases and information dissemination**: One constraint to partnership formation and building is the lack of easy access to information on potential partner organizations in the US and India. Thus, a proposed function of the Facility is to facilitate the building of an institutional data base and the creation of systems for information dissemination. This function would include the following elements:

   - Construct knowledge data bases;
   - Content creation and content management on American and Indian organizations that are or might prospectively work together in alliance relationships on Indian development problems;
   - Website development including electronic newsletters;
   - Public presentations;
   - Workshops on partnership formation; and
   - Information technology support to other operating program units of the Facility.

2. **Strategic planning, research and development:** The Facility must have the capacity to conduct studies and analyses related to areas of potential collaboration if it is to be at cutting edge in promoting developmentally relevant partnerships. This function would include the following elements:

   - Institutional program planning and priority-setting;
   - Conducting studies to identify areas of potential collaboration;
   - Assist the Facility better target scarce resources in high pay-off areas;
   - Identify key Institutions both in the US and in India engaged in research in selected focus areas;
   - Match-making between Indian and US institutions in areas of applied research;
   - Foster exchange programs between Indian and US scientists;
   - Content creation from public domain research databases.

3. **Partnership management and capacity building**: The Constraints Analysis notes that there is a perception in the US that the complex network of Indian regulatory requirements makes doing business in India costly and time consuming. Thus, a function of the Facility would address this constraint by providing information on how to deal with Indian rules and regulations. This function would include the following tasks:

   - Provide information and guidance to US organizations on how to deal with the official Indian bureaucracy, including information on Indian Government policies and regulations concerning financial relationships between Indian and foreign entities;

- Serve as counselor to foreign organizations that wish to engage Indian legal and accounting services;
- Provide technical assistance to potential partnering entities on the formation, management, and sustainability of partnerships, including preparation of partnership formation manuals, pro-forma partnership agreements, and hands-on advisory services;
- Provide capacity building assistance to partner agencies as needed;
- Search for and attempt to cultivate partner relations in the Facility's designated areas of priority activity.

4. **External communication and marketing:** The purpose of this function is to put the Facility on the map, i.e., to publicize and make known the services it offers as well as its program successes. This function will be vital to the successful launch of the Facility as well as its ability over time to raise money from non US Government sources to ensure its financial viability.

- Market the Facility's programs and services through Board outreach and event management;
- Case study documentation and dissemination through conference participation and publication of articles;
- Program advertisements;
- Creative use of an institutional website;
- Profile partnership success stories;
- Organize expositions both in India and the US;
- Conduct press conferences;
- In year four, launch a program to generate over time non-US Government financial support.

5. **Grants program:** This function addresses the lack of resources, especially among smaller NGOs, to cover partnership exploration and development costs (e.g., face-to-face interviews and interpersonal information exchanges). The grants program will support the following functions:

- Support a project that will test the viability of a working relationship;
- Support an experimental approach or new methodology proposed by a new partnership;
- Help two organizations develop an innovative model, technology or methodology;
- Assist one prospective member of a partnership work with a counterpart to adapt a technology or approach to the Indian context;
- Enhance organizational capacity to better manage a partnership relationship;
- Provide fund-raising support to help partnerships identify and obtain additional financial resources;
- Provide financial support for partnership matchmaking and building in the form of facilitative grants for travel, conference participation, communications and other partnership development and start-up costs.

In addition, this analysis provides a cost estimate for establishing the Facility. The accompanying budget narrative provides a detailed discussion of the core elements of the budget, and provides an explanation of the assumptions underlying the budget.

To summarize, in year 1, a management consulting firm will be responsible for the designing, structuring, and establishment of the Facility. The cost of this contract is estimated to be $1,000,000, assuming the employment of a firm/consortium of firms that provides 3 professional staff (1 US, 2 Indian) members for one year.

A core principle underlying the budget relates to the fact that the Facility needs to be structured as an efficient organization with low administrative costs. Therefore, to the extent possible, functions will be outsourced to specialist firms in the areas of information technology/database development, partnership management and capacity building, grants management, and external communications/marketing. Outsourcing costs in each of these programmatic areas have been disaggregated.

The total cost estimates for the Facility on an annual basis for years 1 through 10 are as follows:

Year	Cost (in $ millions)
Year 1	$1
Year 2	$2,589,575
Year 3	$2,139,696
Year 4	$3,331,983
Year 5	$4,414,372
Year 6	$5,038,523
Year 7	$5,041,282
Year 8	$5,098,779
Year 9	$5,159,151
Year 10	$5,222,541

The total projected cost over a ten year time frame is approximately **$39 million.**

- Chapter 8 -

IMPLEMENTATION PLAN

? Recommend procedures and a schedule for recruiting and convening a governing board, incorporating the Facility, developing an initial strategy document, recruiting and initial director and support staff, designing Facility management systems, and building institutional and individual staff skills. Ensure that the recommendations are intended to lead to the establishment of a Facility that is credible and acceptable in the eyes of US and Indian stakeholders.

Setting up the Facility

The proposed timeline presented below is based on the assumption that USAID will approve the NAD by **15 April 2003**.

The design team recommends that USAID engage a world class US management consulting firm with a strong Indian subsidiary (or a tie-up with a quality Indian consulting firm) to create the Facility. This process should take 1 year (could extend to 1.5 years) and should cost $1.0 million (could extend to $1.5 million). In accordance with the targets in the attached implementation plan, the RFP/RFA should be issued by **15 May, 2003** so that a contract may be signed with the selected management consulting firm and FY 2003 funds obligated by **30 September, 2003**.

Management Firm Responsibilities

The management firm's responsibilities during the set up period (Year One in the attached implementation plan) would include the following:

1. Engage legal counsel in India to draw up articles of incorporation (legal documents) and to interface and manage the approval process with appropriate GOI authorities so that the Facility has a legal identity in India by early 2004;
2. Engage legal counsel in the US to explore options for establishing the Facility's representative office in the US;
3. Design detailed organizational structure and prepare job descriptions;
4. Design financial management systems and internal controls that meet applicable standards set forth in USAID regulations;
5. Prepare a business code of ethics;
6. Develop long and short lists of individuals who may serve on the Board of Directors for USAID review;
7. Prepare by-laws and policies that will govern the decision-making process of the Board of Directors;
8. Identify candidates for the CEO position and play an active role with USAID in the recruitment process;
9. Recruit and select professional staff needed to launch operations in year two;
10. Arrange for office space in Delhi and Washington;
11. Procure office equipment for offices in Delhi and Washington;
12. Procure vehicle for Delhi office.

Once the Facility is up and running, USAID should examine its program management and operating systems, as well as its financial control systems, and certify that the Facility meets USAID regulatory standards and is therefore eligible to receive USAID funding. The Facility would then be eligible to receive multi-year USAID funding, most likely through the cooperative agreement mechanism, thus enabling it to proceed with the implementation of its proposed program through at least FY 2008.

Attached is an initial implementation plan. Target dates are provided for carrying out and accomplishing each line item for the first two years of the project. Following that, only the main events for each year are listed since it is unrealistic to engage in highly detailed planning for project out-years beyond 2006.

COLLABORATIVE VENTURE FACILITY INITIAL IMPLEMENTATION PLAN (For Years 1-5 of project life)			
	Action	**Begin Date**	**Completion Date**
1 New Activity Document approved	USAID		15-Apr-03
2 Preparation of RFP/RFA for MC firm to design and set up Facility	USAID	1-Mar-03	1-Apr-03
3 RFP/RFA issued	USAID		15-May-03
4 Proposals submitted to USAID/New Delhi	Interested bidders		15-Jul-03
5 Evaluation of submissions and negotiations with potential awardees	USAID	16-Jul-03	15-Sep-03
6 Signing of contract with MC Firm	USAID & MC Firm		30-Sep-03
YEAR ONE - FY 2004			
1 Contractor mobilization	MC Firm	1-Oct-03	1-Nov-03
2 Design organizational structure	MC Firm	1-Nov-03	1-Dec-03
3 Subcontract with Legal Counsel to prepare charter documents	MC Firm	15-Nov-03	15-Dec-03
4 Legal Counsel submits charter documents to GOI	MC Firm/Leg Counsel		2-Jan-04
5 Facility constituted as a legal entity in India	GOI		15-Jul-04
6 Engage US legal counsel to examine legal options for US representative office	MC Firm	15-Jan-04	15-Apr-04
7 Prepare job descriptions	MC Firm	1-Dec-03	31-Feb-04
8 Prepare Business Code of Ethics	MC Firm	1-Apr-04	31-Aug-04
9 Design financial management and internal control systems	MC Firm	1-Jan-04	31-Aug-04
10 Develop long list of candidates for board of directors	MC Firm	1-Jan-04	1-Apr-04
11 Develop short list of candidates for board of directors	MC Firm & USAID	15-Apr-04	15-May-04
12 Letters of invitation to possible board members	MC Firm & USAID		15-Jun-04
13 Board of Directors appointed	USAID		1-Sep-04
14 Prepare by-laws and policies that will govern board decision-making	MC Firm	15-Feb-04	1-Apr-04
15 Office space leased - Delhi	MC Firm		1-Aug-04
16 Office space leased - Washington			1-Sep-04
17 Office furniture and equipment procured and installed - Delhi	MC Firm	1-Aug-04	15-Sep-04
18 Office furniture and equipment procured and installed - Washington	MC Firm	1-Sep-04	30-Sep-04
19 Vehicle procurement	MC Firm	1-Sep-04	30-Sep-04
20 Recruitment, selection & appointment of CEO	MC Firm/USAID	15-Apr-04	15-Jul-04
21 Recruitment, selection & appointment of Partnership Manager - US	MC/Firm&CEO	1-Jun-04	31-Aug-04
YEAR TWO - FY 2005			
1 Partnership Management/Capacity Building Specialist hired	CEO	1-Sep-04	1-Nov-04
2 Grants Management Specialist hired	CEO	1-Sep-04	1-Nov-04
3 External Marketing Communications Specialist hired	CEO	1-Sep-04	1-Nov-04
4 Research and Development Specialist hired	CEO	1-Sep-04	1-Nov-04
5 Information Technology Specialist hired	CEO	1-Sep-04	1-Nov-04
6 Administrative/Accounting (staff of three) hired	CEO	1-Aug-04	1-Nov-04
7 Associate partnership manager & market specialist hired - US	CEO & US Rep		15-Jan-05
8 Board holds first meeting/team building retreat in India	CEO		11-Nov-04
9 USAID certifies that Facility meets USAID financial control regulations	USAID		15-Jan-05
10 Develop program strategy including recommendations for focus areas	CEO & Sr. Staff		15-Apr-05
11 Board holds second meeting to review strategy, focus area proposals, & budget - US	CEO	15-May-05	20-May-05
12 USAID & Facility negotiate/sign a cooperative agreement for 5 years funding	USAID & CEO	15-Jun-05	15-Jul-05
13 Facility announces grants program	Grants Manager		1-Sep-05
14 Construct database for information exchange	IT & RD Managers	1-Jan-05	31-Jul-05
YEAR THREE - FY 2006 (Main events only)			
1 Third meeting of the board - India	CEO	TBD	TBD
2 Outsource & conduct review of grant proposals	Subcontractor (grants)	TBD	TBD
3 Announcement of first round of grant awards	Grants Manager	TBD	TBD
4 Fourth meeting of the board - US	CEO	TBD	TBD
YEAR FOUR - FY 2007 (Main events only)			
1 Fifth meeting of the board -- India	CEO	TBD	TBD
2 Fund raising/development specialist hired - India	CEO	TBD	TBD
3 Fund raising/development specialist hired - US	CEO	TBD	TBD
4 Impact evaluation of Facility operations and program by outside experts	Independent Firm	TBD	TBD
5 Fund raising strategy prepared for review by board	CEO	TBD	TBD
6 Sixth meeting of the board -- US (review and adopt fund raising strategy)	CEO	TBD	TBD
YEAR FIVE - FY 2008 (Main events only)			
1 Seventh meeting of the board -- India (alternate chairperson)	CEO	TBD	TBD
2 Expansion of grant program	Grant Manager	TBD	TBD
3 Review of focus areas and alterations in strategy as appropriate	CEO	TBD	TBD
4 Eighth meeting of the board -- US	CEO	TBD	TBD

Implementation Plan Summary

The implementation plan contained in the main body of this report provides target dates for carrying out and accomplishing each task. The proposed timeline is based on the assumption that USAID will approve the NAD by **15 April, 2003**.

The design team recommends that USAID engage a world class US management consulting firm with a strong Indian subsidiary (or a tie-up with a quality Indian consulting firm) to create the Facility. This process should take 1 year (could extend to 1.5 years) and will cost between $1.0 (could extend to $1.5 million). In accordance with the targets in the attached implementation plan, the RFP/RFA should be issued by **15 May, 2003** so that a contract may be signed with the selected management consulting firm and FY 2003 funds obligated by **30 September, 2003**.

The management firm's responsibilities during Year One, the set-up period would include the following:

1. Engage legal counsel in India to draw up articles of incorporation (legal documents) and to interface and manage the approval process with appropriate GOI authorities so that the Facility has a legal identity in India by early 2004;
2. Engage legal counsel in the US to explore options for establishing the Facility's representative office in the US;
3. Design detailed organizational structure and prepare job descriptions;
4. Design financial management systems and internal controls that meet applicable standards set forth in USAID regulations;
5. Prepare a business code of ethics;
6. Develop long and short lists of individuals who may serve on the Board of Directors for USAID review;
7. Prepare by-laws and policies that will govern the decision-making process of the Board of Directors;
8. Identify candidates for the CEO position and play an active role with USAID in the recruitment process;
9. Recruit and select professional staff needed to launch operations in year two;
10. Arrange for office space in Delhi and Washington;
11. Procure office equipment for offices in Delhi and Washington;
12. Procure vehicle for the Delhi office.

Once the Facility is up and running, USAID should examine its program management and operating systems, as well as its financial control systems, and certify that the Facility meets USAID regulatory standards and is therefore eligible to receive USAID funding. The Facility would then be eligible to receive multi-year USAID funding, most likely through the cooperative agreement mechanism, thus enabling it to proceed with the implementation of its proposed program through at least FY 2008.

— ANNEX A —

List of US NGOs With Programs in India

The following list contains names of US NGOs that have development programs currently operating in India. These programs cover a wide variety of areas, including agriculture, HIV/AIDS prevention and mitigation, education/training, youth services, women's empowerment, strengthening of civil society, community development, cultural preservation, environmental conservation, human rights, nutrition services, population and family planning, rural development, disaster and emergency relief, and enterprise development.

This list was compiled based on information received from Interaction (www.interaction.org), the largest alliance of US-based NGOs working in the area of international development and humanitarian relief.

No.	Name of Organization	Website
1	Academy for Educational Development	http://www.aed.org
2	Adventist Development and Relief Agency International	http://www.adra.org
3	Advocacy Institute	http://www.advocacy.org
4	Aga Khan Foundation U.S.A.	http://www.akdn.org
5	Aid to Artisans	http://www.aidtoartisans.org
6	American Jewish Joint Distribution Committee	http://www.jdc.org
7	American Jewish World Service	http://www.ajws.org
8	American ORT	http://www.aort.org
9	American Red Cross International Services	http://www.redcross.org/services/intl/
10	Ananda Marga Universal Relief Team	http://www.amurt.net
11	Baptist World Alliance/Baptist World Aid	http://www.amurt.net
12	B'nai B'rith International	http:////bbinet.org
13	Catholic Relief Services	http://www.catholicrelief.org
14	Centre for Development and Population Activities, The	http://www.cedpa.org
15	Childreach/Plan	http://www.childreach.org
16	Children International Headquarters	http://www.children.org
17	Christian Children's Fund	http://www.christianchildrensfund.org
18	Christian Reformed World Relief Committee	http://www.crwrc.org
19	Church World Service	http://www.churchworldservice.org
20	CONCERN Worldwide US Inc.	http://www.concernusa.org
21	Direct Relief International	http://www.directrelief.org
22	Doctors Without Borders/Médecins Sans Frontières USA	http://www.doctorswithoutborders.org
23	Enterprise Development	http://www.endpoverty.org

	International	
24	Foster Parents Plan International	http://plan-international.org
25	Freedom from Hunger	http://www.freefromhunger.org
26	Global Links	http://www.globallinks.org
27	Heart to Heart International	http://www.hearttoheart.org
28	Holt International Children's Services	http://www.holtinternational.org
29	Hunger Project, The	http://www.thp.org
30	Institute of Cultural Affairs	http://www.ica-usa.org
31	International Catholic Migration Commission	http://www.icmc.net
32	International Center for Research on Women	http://www.icrw.org
33	International Executive Service Corps	http://www.iesc.org
34	International Eye Foundation	http://www.iefusa.org
35	International Institute of Rural Reconstruction	http://www.iirr.org
36	International Youth Foundation	http://www.iyfnet.org
37	Jesuit Refugee Service/USA	http://www.JesRef.org
38	Latter-day Saint Charities	http://www.interaction.org/members/ldsc.html
39	Lutheran World Relief	http://www.lwr.org
40	MAP International	http://www.map.org
41	Mercy Corps	http://www.mercycorps.org
42	Mercy-USA for Aid and Development, Inc.	http://www.mercyusa.org
43	Operation USA	http://www.opusa.org
44	Opportunity International-U.S.	http://www.opportunity.org
45	Oxfam America	http://www.oxfamamerica.org
46	Pathfinder International	http://www.pathfind.org
47	Points of Light Foundation	http://www.pointsoflight.org
48	Population Communication	E-mail: popcommla@aol.com
49	Presbyterian Disaster Assistance and Hunger Program	http://www.pcusa.org
50	Project Concern International	http://www.projectconcern.org
51	ProLiteracy Worldwide	ttp://www.proliteracy.org
52	RELIEF International	http://www.ri.org
53	Salvation Army World Service Office, The	E-mail: SAWSO@USN.salvationarmy.org
54	Stop Hunger Now, Inc.	http://www.stophungernow.org
55	Trickle Up Program, The	http://www.trickleup.org
56	U.S. Association for the United Nations High Commissioner for Refugees	http://www.usaforunhcr.org
57	United Methodist Committee on Relief	http://www.umcor.org
58	US Fund for UNICEF	http://www.unicefusa.org
59	Winrock International	http://www.winrock.org
60	World Education	http://www.worlded.org

61	World Learning	http://www.worldlearning.org
62	World Relief Corporation	http://www.worldrelief.org
63	World Resources Institute	http://www.wri.org
64	World Vision (United States)	http://www.worldvision.org

— ANNEX B —

LIST OF POSSIBLE NAMES FOR THE FACILITY

1) Indian American Partnership Services (IAPS)

2) Linkages for Economic Advancement and Development (LEAD) India

3) Indian American Alliance Venture Facility (IAAVF)

4) Development for Economic Advancement through Linkages (DEAL)

5) Partnerships for American and Indian Synergy (PAIS)

6) Development Access

7) The Alliance Group

8) Indian American Alliances for Development

— ANNEX C —

LIST OF INTERVIEWS CONDUCTED

United States

Washington DC
1. Mr. Akbar Badshah, Executive Director, Digital Partners (Seattle-based).
2. Ms. Ann Lauandawski, International Resources Group
3. Mr. Anurag Varma, Legislative Liaison, American Association of Physicians of Indian Origin (AAPI)
4. Ms. Holly Wise, Director, Global Development Alliance
5. Mr. John Zarafonetis, Director, Development Policy & Practice, Interaction
6. Ms. Jennifer Bremer, Kenan Institute
7. Ms. Joyita Mukherjee, Global Competition Organizer, Development Marketplace, World Bank
8. Mr. Kiran Sequeira, Project Coordinator, Asha for Education
9. Ms. Lisa Veneklasen (Interim Director) and Miskha Zaman, Action AID
10. Ms. Mari Kuraishi, Development Space.com, Washington DC
11. Mr. Michael Clark, US India Business Council
12. Mr. Owen Cylke, Former USAID/India Director, World Wildlife Fund
13. Mr. Priya Ranjan, Member, Association for India's Development, MD
14. Ms. Rebecca Maestri, Bureau for Asia and the Near East
15. Mr. Richard Brown, Winrock International
16. Mr. Robert Bertram, Director Agriculture Research, USAID
17. Mr. Robert Buchanan, Council on Foundations
18. Mr. Robert Siegel, PPC, USAID
19. Ms. Sonal Shah, Center for Global Development
20. Mr. Srinivas Savaram, Member-Coordinator, India Literacy Project

California
21. Mr. Kailash Joshi, President, The Indus Entrepreneurs (TIE)
22. Mr. Peter Hero, President, Silicon Valley Foundation
23. Mr. Robert Dunn, CEO, Business for Social Responsibility
24. Mr. Yael Hollander, Bird Foundation
25. International Development Exchange
26. Mr. Richard Fuller, Senior Director, and Mr. Frank Wiebe, Chief Economist, Asia Foundation

India

Mumbai (includes stakeholder meeting participants and individual interviews)

1. Ms. Arati Mohit Gupta, Executive Director, United Way Mumbai
2. Ms. Delnaz Paliwalla, Development Finance Associate, Housing Development Finance Corporation Limited
3. Ms. Dinaz Parab, Bombay Community Public Trust
4. Mr. Harish Khare, Assistant Manager, Development Finance, Housing Development Finance Corporation Limited
5. Mr. John Menachery, Deputy Director, Childline India Foundation
6. Dr. Jyoti Parikh, Senior Professor, Indira Gandhi Institute of Development Research
7. Ms. Kajol Menon, Coordinator, Childline India Foundation
8. Dr. Kirit Parikh, Senior Professor, Indira Gandhi Institute of Development Research
9. Mr. K.G. Krishnamurthy, General Manager – Technical Services, Housing Development Finance Corporation Limited
10. Ms. Menaka Panjwani, Development Coordinator, Ashoka Innovators for the Public
11. Mr. Noshir Dadrawala, Executive Secretary, Centre for Advancement of Philanthropy
12. Mr. V. Rangaraj, Senior Vice President, ESSAR group Executive Vice President, Indo–American Chamber of Commerce
13. Mr. Swapan Garain, Professor, S.P. Jain Institute of Management and Research

Hyderabad (includes stakeholder meeting participants and individual interviews)

14. Mr. Ali Asghar, Executive Secretary, Confederation of Voluntary Associations (COVA)
15. Ms. Chitra Jayanty, Vice President, Naandi
16. Mr. Eric M McGaw, Head, Public Awareness, The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)
17. Dr. G. Rama Padma, Faculty Member, Center for Economic and Social Studies
18. Mr. J.K. Manivannan, Byrraju Foundation
19. Mr. Manoj Kumar, Chief Executive Officer, Naandi
20. Mr. P. K. Madhav Director, Byrraju Foundation
21. Mr. Raj Iyer, Director, Dr. Reddy's Foundation, Livelihood Advancement Business School (LABS)
22. Ms. Sangeeta Reddy, Executive Director – Operations, Apollo Hospitals Limited
23. Mr. Sashi Kumar, Consultant, ThinkSoft Consultants Private Limited
24. Ms. Savita Mahajan, Director, Office of the Dean, Indian School of Business
25. Mr. Venkatesh, Coordinator, Azim Premji Foundation

Delhi

26. Mr. Abhiram Seth, Vice President, Corporate Affairs, PepsiCo
27. Mr. Ajay Mehta, Executive Director, National Foundation of India
28. Mr. Arun Pandhi, Sir Ratan Tata Trust
29. Ms. Debashree, Coordinator, Ashoka Foundation

30. Mr. Fred Foster, US Commercial Service
31. Mr. Gopa Kumar, Research Manager, Charities Aid Foundation
32. Mr. Harry Sethi, Director, External Communications, CARE India
33. Dr. J.J Irani, Program Officer, TATA
34. Ms Jane Schukoski, Executive Director, US Education Foundation of India
35. Mr. John Chalomer, Executive Director, Plan India
36. Mr. Khorezad Dordi, Vice President - Operations, Infrastructure Development Finance Corporation
37. Mr. Mathew Cherian, Director, Charities Aid Foundation
38. Mr. Nilesh Mehta, Board Member, Aavishkar Social Venture Capital
39. Mr. Niloy Banerjee, Independent Consultant
40. Ms. Poonam Muthreja, Executive Director, MacArthur Foundation
41. Dr. P.K Dave, Director, All India Institute for Medical Sciences
42. Professor Pulin Nayak, Department Head, Department of Economics, Delhi School of Economics
43. Dr. R.A Mashelkar, Director General, Council for Scientific and Industrial Research
44. Ms. Rekha Mehra, Program Officer, Ford Foundation
45. Mr. Sadashiv Rao, Senior Adviser, Infrastructure Development Finance Corporation
46. Mr. S. Sen, Deputy Director General, Confederation of Indian Industries
47. Ms. Sushma Raman, Program Officer, Ford Foundation

— ANNEX D —

REFERENCE LIST

AccountAid India: *AccountAble Handbook – FCRA.* Published by AccountAid, New Delhi, 2002.

Blakeslee, Katherine and David Hirschmann: *USAID/India Gender Assessment,* New Delhi, India, July 2001.

Charities Aid Foundation India: *Dimensions of the Voluntary Sector in India.* Published by Charities Aid Foundation, New Delhi, 2000.

Kumar, Gopa R.: Indian Diaspora and Giving Patterns of Indian Americans in USA. Published by Charities Aid Foundation India, New Delhi, 2003.

Murray Culshaw Advisory Services: *Building Credibility – A Study of Annual Reporting of Voluntary Agencies in India.* Published by MCAS, Bangalore, 1999.

Singhvi, L.M: *Report of the High Level Committee on the Indian Diaspora.* Ministry of External Affairs, Government of India. August 2000. Downloadable at: http://www.indiaday.org/nri/index1.htm

Taplin, Shanaz and Associates: *Diaspora Philanthropy – Silicon Valley Non Resident Indians.* The David and Lucile Packard Foundation and the Wallace Alexander Gerbode Foundation.

Viswanath, Priya: *Diaspora Philanthropy and Non Resident Indians in the US - A Monograph.* Published by Charities Aid Foundation India, New Delhi, 2000.

Website References:

Account Aid, India: www.accountaid.net

Center for Advancement of Philanthropy: www.cozucare.org

Government of India, Pravasi Divas Website: www.indiaday.org

IndianNGOs.com.

Ministry of Home Affairs, India: http://mha.nic.in

US India Business Council: www.usibc.com.

— ANNEX E —

TERMS OF REFERENCE

Task 1: Sector Analysis

This analysis will describe and analyze the recent history and current state of bilateral US-Indian collaborative ventures or partnerships in development undertaken by private entities (nonprofit organizations, for profit firms, foundations, etc.) on their own without formal US Government assistance. Specifically, this analysis will:

- Identify and describe the principal factors underlying the appearance of such ventures, including the impact of the Indian Diaspora;

- Assess the extent to which certain sectors have served as particular foci for these ventures;

- Assess the extent to which certain states or regions have served as foci for these ventures;

- Assess the overall development impact of these ventures;

- Identify any particular factors, peculiar to these collaborative ventures, which tend to make them more or less successful;

- Generate and provide historical, quantitative, information which can be used as baseline measures to monitor changes in scope, scale and quality of these ventures over time as a result of Facility activities. Such information will be drawn upon principally from secondary sources including reports generated by these ventures themselves, the US and Indian NGO community, and the Government of India (FCRA, etc);

- Draft a two page summary for inclusion in the NAD.

Task 2: Constraints Analysis

This analysis will identify and analyze the factors that are currently impeding the initiation, growth, and size or development impact of such US Indian collaborative ventures. Specifically, the analysis will:

- Include an assessment of the principal constraints as articulated by current or potential venture participants;

- Identify and describe any particular US government or Government of India policies, laws, regulations or practices that are perceived as key constraining factors;

- Include a description of efforts being undertaken by other groups in the US and India to ameliorate these impeding factors;

- Identify steps that could be taken to ameliorate these principal constraints and identify those that may be appropriate for USAID;

- Draft a two page summary for inclusion in the NAD.

Task 3: Participation Analysis

This analysis will identify institutions and individuals interested and willing to participate in the Facility's initial design/development, and in its operations phase. Specifically, this analysis will:

- Assess which types of institutions would be most interested in assisting in designing or participating in Facility activities, and which sorts of services they would like to see the Facility undertake and why;

- Describe which divisions within the Government of India and state governments would have an interest in Facility activities and would be willing to assist in the design of the Facility;

- Assess the alternative approaches USAID/India could employ to engage these groups in detailed Facility design and start up, and recommend the most appropriate approach;

- Draft a one page summary for inclusion in the NAD.

Task 4: Lessons Learned Analysis

This analysis will aim to provide experience of earlier and other current attempts to create entities such as this Facility. Specifically, this analysis will:

- Identify relevant lessons learned from a review of USAID's experience in founding undertakings similar to the Facility in other countries;

- Identify lessons learned from the experience of other institutions attempting similar undertakings in India;

- Synthesize these lessons learned into a set of recommended parameters to be used in structuring USAID/India's role and relationship to the Facility;

- Include a draft one page summary for inclusion in the NAD.

Task 5: Functional, Program and Financial Operations Analysis

This analysis will recommend a set of programmatic functions appropriate for the Facility. It will also describe the related program and financial operations recommended for the Facility. Specifically, this analysis will:

- Justify the recommended functions based upon the findings of the sector, constraints, participation, gender, and lessons learned analyses;

- Describe the types of program operations the Facility will undertake to fulfill each of these recommended functions;

- Provide sufficient detail to ensure that recommended financial operations (e.g. fund raising, grant making, facilitating international transfers, etc.) will be appropriate, reflect international lending practices, and are in congruence with US and Indian law;

- Include a cost estimate and financial plan which will provide a reasonably firm estimate of the cost of this activity to the US government and estimate the amount and function of counterpart financing;

- Produce a draft three page summary for inclusion in the NAD.

Task 6: Gender Analysis

This analysis will identify the most significant gender issues in the design of the Facility and its subsequent operations, and recommend ways in which these issues may be addressed.

Specifically, this analysis will:

- The analysis will build upon the findings of the broader gender analysis prepared by USAID/India during its recent strategy development exercise.
- The analysis will be prepared in keeping with guidance provided in USAID's Automated Directives System section 201.3.4.11.
- The analysis will include a draft one page summary for inclusion in the New Activity Document (NAD).

Task 7: Legal and Organizational Analysis

This analysis will assess optional organizational structures available for incorporating the Facility, as well as alternate ways available to structure the relationship between the Facility and USAID. Specifically, the analysis will:

- Examine the advantages and disadvantages of alternate legal and organizational structures available under US and Indian law through which the Facility could be incorporated, and will recommend and justify that deemed most appropriate;

- Examine alternate ways of structuring the relationship between the Facility and USAID, and will recommend and justify that deemed most appropriate;

- Include an organizational chart and a brief description of the most critical positions;

- Draft a two page summary for inclusion in the NAD.

Task 8: Initial Implementation Plan

This analysis is aimed at producing a detailed, sequenced, step-by-step plan for creating the Facility. Specifically, the Implementation Plan will:

- Provide details on recommended procedures and a schedule for recruiting and convening a governing board, incorporating the Facility, developing an initial strategy document, recruiting an initial director and support staff, designing Fund management systems, and building institutional and individual staff skills;

- Ensure that the recommendations are intended to lead to the establishment of a Facility that is credible and acceptable in the eyes of US and Indian stakeholders;

- Include a draft two page summary for inclusion in the NAD.